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2022 Form 990, *Return of Organization Exempt From Income Tax*

Instructions with Annotations Provided by PwC's Exempt Organizations Tax Services Practice

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Note: The 2022 instructions contain numerous, minor stylistic and presentational changes throughout, such as placement of commas and semi-colons, changes to capitalization, shortening of web addresses, etc. In general, these minor changes are highlighted only where the changes might affect the meaning of the text.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Form 990 Return of Organization Exempt From Income Tax

The table of contents has been removed from the 2022 instructions.

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 990 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

What's New

Ann. 2021-18 revoked Ann. 2001-33. Ann. 2001-33, 2001-17 I.R.B. 1137, provided tax-exempt organizations with reasonable cause for purposes of relief from the penalty imposed under section 6652(c)(1)(A)(ii) if they reported compensation on their annual information returns in the manner described in Ann. 2001-33 instead of in accordance with certain form instructions. Ann. 2021-18, 2021-52 I.R.B. 910, revoked Ann. 2001-33 and instructs affected tax-exempt organizations to follow the specific instructions for Form 990, Form 990-EZ, and Form 990-PF, effective for annual information returns required for tax years beginning on or after January 1, 2022.

Reminders

Section 501(c)(21) trusts. Form 990-BL, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons, has been a historical form since tax year 2021. Section 501(c)(21) trusts can no longer file Form 990-BL and will file Form 990 (or submit Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required To File Form 990 or 990-EZ, if eligible) to meet their annual filing obligations under section 6033. Some section 501(c)(21) trusts may also be required to file Form 6069, Return of Certain Excise Taxes on Mine Operators, Black Lung Trusts, and Other Persons Under Sections 4951, 4952, and 4953.

Form 1099-NEC and nonemployee compensation reporting. Beginning with tax year 2020, Form 1099-NEC, Nonemployee Compensation, is used to report nonemployee compensation. Accordingly, where the Form 990 references reporting amounts of compensation from Form 1099-MISC, Miscellaneous Income, be sure to include nonemployee compensation from box 1 of Form 1099-NEC. See the instructions for additional information.

Purpose of Form

Forms 990 and 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990 or 990-EZ, and a section 501(c)(3) organization's Form 990-T, Exempt Organization Business Income Tax Return, are generally available for public inspection as required by section 6104. Schedule B (Form 990), Schedule of Contributors, is available for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or 990-EZ, parts of Schedule B (Form 990) can be open to public inspection. See *Appendix D, Public Inspection of Returns*, and the Instructions for Schedule B (Form 990) for more details.

Some members of the public rely on Form 990 or Form 990-EZ as their primary or sole source of information about a particular organization. How the public perceives an organization in such cases can be determined by information presented on its return.

Phone Help

If you have questions and/or need help completing Form 990, please call 877-829-5500. This toll-free telephone service is available Monday through Friday.

Email Subscription

The IRS has established a subscription-based email service for tax professionals and representatives of tax-exempt organizations. Subscribers will receive periodic updates from the IRS regarding exempt organization tax law and regulations, available services, and other information. To subscribe, go to *IRS.gov/Charities-&-Non-Profits/Subscribe-to-Exempt-Organization-Update*.

General Instructions

Overview of Form 990

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Form 990 is an annual information return required to be filed with the IRS by most organizations exempt from income tax under section 501(a), and certain political organizations and **nonexempt charitable trusts**. Parts I through XII of the form must be completed by all filing organizations and require reporting on the organization's exempt and other activities, finances, governance, compliance with certain federal tax filings and requirements, and **compensation** paid to certain persons. Additional schedules are required to be completed depending upon the activities and type of the organization. By completing Part IV, the organization determines which schedules are required. The entire completed Form 990 filed with the IRS, except for certain contributor information on Schedule B (Form 990), is required to be made available to the public by the IRS and the filing organization (see *Appendix D*), and can be required to be filed with state governments to satisfy state reporting requirements. See *Appendix I. Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements.*

CAUTION ***Reminder: Don't Include Social Security Numbers on Publicly Disclosed Forms.*** *Because the filing organization and the IRS are required to publicly disclose the organization's annual information returns, social*

Organizations reporting individuals on Form 990, Part VII, Section A that are compensated through a management services company must follow the relevant Form 990 instructions, and can no longer rely on Announcement 2001-33 as providing reasonable cause for relief from penalties.

security numbers (SSNs) shouldn't be included on this form. By law, with limited exceptions, neither the organization nor the IRS may remove that information before making the form publicly available. Documents subject to disclosure include statements and attachments filed with the form. For more information, see Appendix D.

Helpful hints. The following hints can help you more efficiently review these instructions and complete the form.

- See *General Instructions, Section C. Sequencing List To Complete the Form and Schedules,* later, which provides guidance on the recommended order for completing the form and applicable statements.
- Throughout these instructions, "the organization" and the "filing organization" both refer to the organization filing Form 990.
- Unless otherwise specified, information should be provided for the organization's tax year. For instance, an organization should answer "Yes" to a question asking whether it conducted a certain type of activity only if it conducted that activity during the tax year.
- The examples appearing throughout the Instructions for Form 990 are illustrative only. They are for the purpose of completing this form and aren't all-inclusive.
- Instructions for the Form 990 schedules are published separately from these instructions.

CAUTION *Organizations that have $1,000 or more for the tax year of total gross income from all **unrelated trades or businesses** must file Form 990-T to report and pay tax on the resulting unrelated business taxable income (UBTI), in addition to any required Form 990, 990-EZ, or 990-N.*

A. Who Must File

Most organizations exempt from income tax under section 501(a) must file an annual information return (Form 990 or 990-EZ) or submit an annual electronic notice (Form 990-N), depending upon the organization's **gross receipts** and **total assets**.

TIP *An organization may not file a "consolidated" Form 990 to aggregate information from another organization that has a different **EIN**, unless it is filing a **group return** and reporting information from a **subordinate organization** or organizations, reporting information from a **joint venture** or **disregarded entity** (see* Appendix E. Group Returns—Reporting Information on Behalf of the Group, *and* Appendix F. Disregarded Entities and Joint Ventures—Inclusion of Activities and Items, *later), or as otherwise provided for in the Code, regulations, or official IRS guidance. A parent-exempt organization of a section 501(c)(2) title-holding company may file a consolidated Form 990-T with the section 501(c)(2) organization, but not a consolidated Form 990.*

Form 990 must be filed by an organization exempt from income tax under section 501(a) (including an organization that hasn't applied for recognition of exemption) if it has either (1) gross receipts greater than or equal to $200,000, or (2) total assets greater than or equal to $500,000 at the end of the tax year (with exceptions described below for organizations eligible to submit Form 990-N and for certain organizations described in *Section B. Organizations Not Required To File Form 990 or 990-EZ,* later). This includes:

- Organizations described in section 501(c)(3) (other than **private foundations**), and
- Organizations described in other 501(c) subsections.

Gross receipts are the total amounts the organization received from all sources during its tax year, without subtracting any costs or expenses. See *Appendix B. How To Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less,* for a discussion of gross receipts.

For purposes of Form 990 reporting, the term "section 501(c)(3)" includes organizations exempt under sections 501(e) and (f) (cooperative service organizations), 501(j) (amateur sports organizations), 501(k) (childcare organizations), and 501(n) (charitable risk pools). In addition, any organization described in one of these sections is also subject to section 4958 if it obtains a determination letter from the IRS stating that it is described in section 501(c)(3).

Form 990-N. If an organization normally has gross receipts of $50,000 or less, it must submit Form 990-N, if it chooses not to file Form 990 or Form 990-EZ (with exceptions described below for certain section 509(a)(3) **supporting organizations** and for certain organizations described in *Section B*, later). See *Appendix B* for a discussion of gross receipts.

Form 990-EZ. If an organization has **gross receipts** less than $200,000 and **total assets** at the end of the tax year less than $500,000, it can choose to file Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, instead of Form 990. See the Instructions for Form 990-EZ for more information. See the special rules below regarding **section 501(c)(21) black lung trusts, controlling organizations** under section 512(b)(13), and **sponsoring organizations** of **donor advised funds**.

If an organization eligible to submit the Form 990-N or file the Form 990-EZ chooses to file the Form 990, it must file a complete return.

Foreign and U.S. possession organizations. Foreign organizations and **U.S. possession** organizations as well as **domestic organizations** must file Form 990 or 990-EZ unless specifically excepted under *Section B,* later. Report amounts in U.S. dollars and state what conversion rate the organization uses. Combine amounts from inside and outside the United States and report the total for each item. All information must be written in English.

Section 501(c)(21) black lung trusts. The trustee of a trust exempt from tax under section 501(a) and described in section 501(c)(21) must file Form 990 and not Form 990-EZ, unless the trust normally has gross receipts in each tax year of not more than $50,000 and can file Form 990-N.

Sponsoring organizations of donor advised funds. If required to file an annual information return for the year, **sponsoring organizations** of **donor advised funds** must file Form 990 and not Form 990-EZ.

Controlling organizations described in section 512(b)(13). A **controlling organization** of one or more **controlled entities**, as described in section 512(b)(13), must file Form 990 and not Form 990-EZ if it is required to file an annual information return for the year and if there was any transfer of funds between the controlling organization and any controlled entity during the year.

Section 509(a)(3) supporting organizations. A section 509(a)(3) **supporting organization** must file Form 990 or 990-EZ, even if its gross receipts are normally $50,000 or less, and even if it is described in Rev. Proc. 96-10, 1996-1 C.B. 577, or is an affiliate of a governmental unit described in Rev. Proc. 95-48,1995-2 C.B. 418, unless it qualifies as:

1. An integrated auxiliary of a **church** described in Regulations section 1.6033-2(h);

2. The exclusively religious activities of a **religious order**; or

3. An organization, the gross receipts of which are normally not more than $5,000, that supports a section 501(c)(3) religious organization.

If the organization is described in (3) but not in (1) or (2), then it must submit Form 990-N unless it voluntarily files Form 990 or 990-EZ.

Section 501(c)(7) and 501(c)(15) organizations. Section 501(c)(7) and 501(c)(15) organizations apply the same **gross receipts** test as other organizations to determine whether they must file Form 990, but use a different definition of gross receipts to determine whether they qualify as tax exempt for the tax year. See *Appendix C. Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations* for more information.

Section 527 political organizations. A tax-exempt political organization must file Form 990 or 990-EZ if it had $25,000 or more in gross receipts during its tax year, even if its gross receipts are normally $50,000 or less, unless it meets one of the exceptions for *certain political organizations* under *Section B*, later. A qualified state or local political organization must file Form 990 or 990-EZ only if it has gross receipts of $100,000 or more. Political organizations aren't required to submit Form 990-N.

Section 4947(a)(1) nonexempt charitable trusts. A **nonexempt charitable trust** described under section 4947(a)(1) (if it isn't treated as a private foundation) is required to file Form 990 or 990-EZ, unless excepted under *Section B,* later. Such a trust is treated like an exempt section 501(c)(3) organization for purposes of completing the form. Section 4947(a)(1) trusts must complete all sections of the Form 990 and schedules that section 501(c)(3) organizations must complete. All references to a section 501(c)(3) organization in the Form 990, schedules, and instructions include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990), Public Charity Status and Public Support, unless otherwise specified). If such a trust doesn't have any taxable income under subtitle A of the Code, it can file Form 990 or 990-EZ to meet its section 6012 filing requirement and doesn't have to file Form 1041, U.S. Income Tax Return for Estates and Trusts.

Returns when exempt status not yet established. An organization is required to file Form 990 under these instructions if the organization claims exempt status under section 501(a) but hasn't established such exempt status by filing Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code; Form 1023-EZ, Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code; Form 1024, Application for Recognition of Exemption Under Section 501(a); or Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code, and receiving an IRS determination letter recognizing tax-exempt status. In such a case, the organization must check the “Application pending” checkbox on Form 990, Item B, page 1 (whether or not a Form 1023, 1023-EZ, 1024, or 1024-A has been filed) to indicate that Form 990 is being filed in the belief that the organization is exempt under section 501(a), but that the IRS hasn't yet recognized such exemption.

To be recognized as exempt retroactive to the date of its organization or formation, an organization claiming tax-exempt status under section 501(c) (other than 501(c)(29)) must generally file an application for recognition of exemption (Form 1023, 1023-EZ, 1024, or 1024-A) within 27 months of the end of the month in which it was legally organized or formed.

An organization that has filed a letter application for recognition of exemption as a qualified nonprofit health insurance issuer under section 501(c)(29), or plans to do so, but hasn't yet received an IRS determination letter recognizing exempt status, must check the “Application pending” checkbox on the Form 990, Item B, page 1.

B. Organizations Not Required To File Form 990 or 990-EZ

An organization doesn't have to file Form 990 or 990-EZ even if it has at least $200,000 of **gross receipts** for the tax year or $500,000 of **total assets** at the end of the tax year if it is described below (except for section 509(a)(3) supporting organizations, which are described earlier). See *Section A. Who Must File* to determine if the organization can file Form 990-EZ instead of Form 990. An organization described in paragraph 10, 11, or 13 of this *Section B* is required to submit Form 990-N unless it voluntarily files Form 990, 990-EZ, or 990-BL, as applicable.

Certain religious organizations.

1. A **church**, an interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church as described in Regulations section 1.6033-2(h) (such as a men's or women's organization, religious school, mission society, or youth group).

2. A church-affiliated organization that is exclusively engaged in managing funds or maintaining retirement programs and is described in Rev. Proc. 96-10. But see the filing requirements for section 509(a)(3) supporting organizations in *Section A.*

3. A school below college level affiliated with a church or operated by a **religious order** described in Regulations section 1.6033-2(g)(1)(vii).

4. A mission society sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries.

5. An exclusively religious activity of any **religious order** described in Rev. Proc. 91-20, 1991-1 C.B. 524.

Certain governmental organizations.

6. A state institution whose income is excluded from gross income under section 115.

7. A **governmental unit** or affiliate of a governmental unit described in Rev. Proc. 95-48. But see the filing requirements for section 509(a)(3) supporting organizations in *Section A.*

8. An organization described in section 501(c)(1). A section 501(c)(1) organization is a corporation organized under an Act of Congress that is an instrumentality of the United States, and exempt from federal income taxes.

Certain political organizations.

9. A political organization that is:

- A state or local committee of a political party,
- A political committee of a state or local candidate,
- A caucus or association of state or local officials, or
- Required to report under the Federal Election Campaign Act of 1971 as a political committee (as defined in section 301(4) of such Act).

Certain organizations with limited gross receipts.

10. An organization whose **gross receipts** are normally $50,000 or less. Such organizations are generally required to submit Form 990-N if they choose not to file Form 990 or Form 990-EZ. To determine what an organization's gross receipts “normally” are, see *Appendix B*.

11. **Foreign organizations** and organizations located in **U.S. possessions**, whose **gross receipts** from sources within the United States are normally $50,000 or less and which didn't engage in significant activity in the United States (other than investment activity). Such organizations, if they claim U.S. tax exemption or are recognized by the IRS as tax exempt, are generally required to submit Form 990-N if they choose not to file Form 990 or 990-EZ.

The instructions on short periods no longer refer to certain cases in which a short period return can not be filed electronically, since those limitations are no longer applicable. All Forms 990 must now be filed electronically.

If a foreign organization or U.S. possession organization is required to file Form 990 or Form 990-EZ, then its worldwide gross receipts, as well as assets, are taken into account in determining whether it qualifies to file Form 990-EZ.

Certain organizations that file different kinds of annual information returns.

12. A private foundation (including a private operating foundation) exempt under section 501(c)(3) and described in section 509(a). Use Form 990-PF, Return of Private Foundation. Also use Form 990-PF for a taxable private foundation, a section 4947(a)(1) **nonexempt charitable trust** treated as a private foundation, and a private foundation terminating its status by becoming a **public charity** under section 507(b)(1)(B) (for tax years within its 60-month termination period). If the organization successfully terminates, then it files Form 990 or 990-EZ in its final year of termination.

13. A religious or apostolic organization described in section 501(d). Use Form 1065, U.S. Return of Partnership Income.

14. A stock bonus, pension, or profit-sharing trust that qualifies under section 401. Use Form 5500, Annual Return/ Report of Employee Benefit Plan.

TIP *Subordinate organizations in a **group exemption** which are included in a **group return** filed by the **central organization** for the **tax year** shouldn't file a separate Form 990, Form 990-EZ, or Form 990-N for the tax year.*

C. Sequencing List To Complete the Form and Schedules

You may find the following list helpful. It limits jumping from one part of the form to another to make a calculation or determination needed to complete an earlier part. Certain later parts of the form must first be completed in order to complete earlier parts. In general, first complete the **core form**, and then complete alphabetically Schedules A–N and Schedule R, except as provided below. Schedule O (Form 990), Supplemental Information to Form 990 or 990-EZ, should be completed as the core form and schedules are completed. Note that all organizations filing Form 990 must file Schedule O.

TIP *A **public charity** described in section 170(b)(1)(A)(iv), 170(b)(1)(A)(vi), or 509(a)(2) that isn't within its initial 5 years of existence should first complete Part II or III of Schedule A (Form 990) to ensure that it continues to qualify as a public charity for the tax year. If it fails to qualify as a public charity, then it must file Form 990-PF rather than Form 990 or Form 990-EZ, and check the box for "Initial return of a former public charity" on page 1 of Form 990-PF.*

1. Complete Items A through F and H(a) through M in the heading of Form 990, on page 1.

2. See the instructions for definitions of **related organization** and **control** and determine the organization's related organizations required to be listed on Schedule R (Form 990), Related Organizations and Unrelated Partnerships.

3. Determine the organization's officers, directors, trustees, key employees, and five highest compensated employees required to be listed on Form 990, Part VII, Section A.

4. Complete Parts VIII, IX, and X of Form 990.

5. Complete Item G in the heading section of Form 990, on page 1.

6. Complete Parts III, V, VII, XI, and XII of Form 990.

7. See the Instructions for Schedule L (Form 990), Transactions With Interested Persons, and complete Schedule L (Form 990) (if required).

Schedule L (Form 990) are relevant to determining independence of **members of the governing body** under Form 990, Part VI, line 1b.

9. Complete Part I of Form 990 based on information derived from other parts of the form.

10. Complete Part IV of Form 990 to determine which schedules must be completed by the organization.

11. Complete Schedule O (Form 990) and any other applicable schedules (for "Yes" boxes that were checked in Part IV). Use Schedule O (Form 990) to provide required supplemental information and other narrative explanations for questions on the core Form 990. For questions on Form 990 schedules, use the narrative part of each schedule to provide supplemental narrative.

12. Complete Part II, *Signature Block*, of Form 990.

D. Accounting Periods and Methods

These are the accounting periods covered under the law.

Accounting Periods

Calendar year. Use the 2022 Form 990 to report on the 2022 calendar year accounting period. A calendar year accounting period begins on January 1 and ends on December 31.

Fiscal year. If the organization has established a fiscal year accounting period, use the 2022 Form 990 to report on the organization's fiscal year that began in 2022 and ended 12 months later. A fiscal year accounting period should normally coincide with the natural operating cycle of the organization. Be certain to indicate in Item A of Form 990, page 1, the date the organization's fiscal year began in 2022 and the date the fiscal year ended in 2023.

Short period. A short accounting period is a period of less than 12 months, which exists when an organization first commences operations, changes its accounting period, or terminates. If the organization's short year began in 2022, and ended before December 31, 2022 (not on or after December 31, 2022), it may use either 2021 Form 990 or 2022 Form 990 to file for the short year. If using the 2021 return, provide the information for designated years listed on the return, other than the tax year being reported, as if the years shown in the form text and headings were updated. For example, if filing for a short period beginning in 2022 on the 2021 Form 990, provide the information on Schedule A, Part II, for the tax years 2018–2022, rather than for tax years 2017–2021. Check the "Initial return" box or the "Final return/terminated" box in Item B of the Heading if either of those situations applies.

Accounting period change. If the organization changes its accounting period, it must file a Form 990 for the short period resulting from the change. If you are filing a short period return because you changed your accounting period, use software with a change of accounting period field to file. Also, include the reason for the change, either "Form 1128 was approved" or "Revenue Procedure 85-58 rules apply."

If the organization has previously changed its annual accounting period at any time within the 10-calendar-year period that includes the beginning of the **short period** resulting from the current change in accounting period, and it had a Form 990-series filing requirement or income tax return filing requirement at any time during that 10-year period, it must also file a Form 1128, Application To Adopt, Change, or Retain a Tax Year, with the short-period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

If an organization that submits Form 990-N changes its accounting period, it must report this change on Form 990, Form

This instruction has been updated to specify that, if filing a short period return because of an accounting change, the filer should use software that includes a "change of accounting period" field. Filers should also include an explanation of the reason for the change.

Wording edited for clarity.

990-EZ, or Form 1128, or by sending a letter to Internal Revenue Service, 1973 Rulon White Blvd., Ogden, UT 84201.

Accounting Methods

An "accounting method," for federal income tax purposes, is a practice a taxpayer follows to determine the tax year in which to report revenue and expenses for federal income tax purposes. An accounting method includes not only the overall plan of accounting for gross income or deductions (for example, an accrual method or the cash receipts and disbursement method), but also the treatment of any item that involves the proper time for the inclusion of an item in income or the taking of an item as a deduction, or both. However, a practice that does not affect the timing for reporting an item of income or deduction for purposes of determining taxable income is not an accounting method. A taxpayer, including a tax-exempt entity, generally adopts any permissible accounting method in the first year in which it uses the method in determining its taxable income. See Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

CAUTION *An exempt organization may adopt an accounting method not only for purposes of calculating taxable income, but also for purposes of determining whether taxable income will be subject to federal income tax. For example, a tax-exempt entity may adopt an accounting method for an item of income from an unrelated trade or business activity even if the gross income from such activity is less than $1,000 and is therefore not taxed for federal income tax purposes pursuant to Regulations section 1.6012-2(e).*

An accounting method for an item of income or deduction may generally be adopted separately for each of the taxpayer's trades or businesses. However, in order to be permissible, an accounting method must clearly reflect the taxpayer's income. Unless instructed otherwise, the organization should generally use the same accounting method on the return (including the Form 990 and all schedules) to report revenue and expenses that it regularly uses to keep its books and records.

Accounting method change. Once a taxpayer, including a tax-exempt entity, adopts an accounting method for federal income tax purposes, the taxpayer must generally request the IRS's consent before it can change its accounting method (even if the year in which the taxpayer seeks to make the change is a year in which it generates only tax-exempt income or is otherwise not taxed on its taxable income). In most cases, a taxpayer requests consent to change an accounting method by filing a Form 3115, Application for Change in Accounting Method. See Rev. Proc. 2015-13, or any successor, for general procedures for obtaining consent to change an accounting method.

CAUTION *Depending on the specific accounting method change being requested, the taxpayer may be able to request "automatic" consent. This means that as long as the taxpayer follows the applicable procedures, the taxpayer does not have to wait for formal approval by the IRS before applying the new accounting method. See Rev. Proc. 2022-14, 2022-7 I.R.B. 502, or its successor, for a list of accounting method changes that generally qualify for automatic consent.*

For example, a tax-exempt entity that has adopted an accounting method for an item of income from an unrelated trade or business must generally request consent before it can change its method of accounting for that item in any subsequent year. This is true regardless of whether gross income from the unrelated trade or business is greater than or equal to $1,000 in such subsequent year.

Alternatively, if a taxpayer, including a tax-exempt entity, has not yet adopted an accounting method for an item of income or deduction, a change in how the entity reports the item is not a change in accounting method. In this case, the procedures applicable to requests for accounting method changes (for example, the requirement to file a Form 3115) are not applicable.

Thus, a tax-exempt entity that has never taken into account an item of income or deduction in determining taxable income does not have to request consent to change its method of reporting that item on Form 990. Additionally, a tax-exempt entity that has never been subject to federal income tax on an item of income or deduction but that is required to file a Form 990-T solely due to owing a section 6033(e)(2) proxy tax does not have to request consent to change its method for reporting the item.

Adjustments required when changing an accounting method. A taxpayer, including a tax-exempt entity, that changes its accounting method must generally calculate and report an adjustment to ensure that no portion of the item being changed is permanently omitted or duplicated (see section 481(a)). However, depending on the specific method change, the IRS may provide that an adjustment is not required or permitted. An organization must report any adjustment required by section 481(a) in Parts VIII through XI and on Schedule D (Form 990), Parts XI and XII, as applicable, and provide an explanation for the change on Schedule O (Form 990).

CAUTION *Generally, a taxpayer, including a tax-exempt entity, will recognize a positive section 481(a) adjustment (such as an increase to income) ratably over 4 tax years and will recognize a negative section 481(a) adjustment in full in the year of change. See Rev. Proc. 2015-13, or its successor.*

However, as discussed above, if a tax-exempt entity has not yet adopted an accounting method for an item, a change in how the entity reports the item for purposes of the Form 990 is not a change in accounting method. In this case, an adjustment under section 481(a) is not required or permitted.

State reporting. Many states that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting. If the organization prepares Form 990 for state reporting purposes, it can file an identical return with the IRS even though the return doesn't agree with the books of account, unless the way one or more items are reported on the state return conflicts with the instructions for preparing Form 990 for filing with the IRS.

Example 1. The organization maintains its books on the cash receipts and disbursements method of accounting but prepares a Form 990 return for the state based on the accrual method. It could use that return for reporting to the IRS.

Example 2. A state reporting requirement requires the organization to report certain revenue, expense, or balance sheet items differently from the way it normally accounts for them on its books. A Form 990 prepared for that state is acceptable for IRS reporting purposes if the state reporting requirement doesn't conflict with the Instructions for Form 990.

An organization should keep a reconciliation of any differences between its books of account and the Form 990 that is filed. Organizations with audited financial statements are required to provide such reconciliations on Schedule D (Form 990), Parts XI through XII.

TIP *See Pub. 538, Accounting Periods and Methods, and the instructions for Forms 1128 and 3115, about reporting changes to accounting periods and methods.*

E. When, Where, and How To File

File Form 990 by the 15th day of the 5th month after the organization's accounting period ends (May 15th for a calendar-year filer). If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that isn't a Saturday, Sunday, or legal holiday.

The Rev. Proc referenced has been updated from Rev. Proc. 2019-43, 2019-48 I.R.B. 1107.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after liquidation, dissolution, or termination.

If the return isn't filed by the due date (including any extension granted), provide a reasonable-cause explanation giving the reasons for not filing on time.

Required electronic filing. If you are filing a 2022 Form 990, you are required to file electronically.

For additional information on the electronic filing requirement, go to *IRS.gov/E-file*.

F. Extension of Time To File

Use Form 8868, Application for Automatic Extension of Time To File an Exempt Organization Return, to request an automatic extension of time to file.

G. Amended Return/Final Return

To amend the organization's return for any year, file a new return including any required schedules. Use the version of Form 990 applicable to the year being amended. The amended return must provide all the information called for by the form and instructions, not just the new or corrected information. Check the "Amended return" box in Item B in the heading area of the form. Also, enter on Schedule O (Form 990) which parts and schedules of the Form 990 were amended and describe the amendments.

The organization can file an amended return at any time to change or add to the information reported on a previously filed return for the same period. It must make the amended return available for inspection for 3 years from the date of filing or 3 years from the date the original return was due, whichever is later.

If the organization needs a complete copy of its previously filed return, it can file Form 4506, Request for Copy of Tax Return.

If the return is a final return, the organization must check the "Final return/terminated" box in Item B in the heading area of the form, and complete Schedule N (Form 990), Liquidation, Termination, Dissolution, or Significant Disposition of Assets.

Amended returns and state filing considerations. State law may require that the organization send a copy of an amended Form 990 return (or information provided to the IRS supplementing the return) to the state with which it filed a copy of Form 990 to meet that state's reporting requirement. A state may require an organization to file an amended Form 990 to satisfy state reporting requirements, even if the original return was accepted by the IRS.

H. Failure-To-File Penalties

Against the organization. Under section 6652(c)(1)(A), a penalty of $20 a day, not to exceed the lesser of $11,000 or 5% of the **gross receipts** of the organization for the year, can be charged when a return is filed late, unless the organization shows that the late filing was due to reasonable cause. Organizations with annual **gross receipts** exceeding $1,129,000 are subject to a penalty of $110 for each day failure continues (with a maximum penalty for any one return of $56,000). The penalty applies on each day after the due date that the return isn't filed.

Tax-exempt organizations that are required to file electronically but don't are deemed to have failed to file the return. This is true even if a paper return is submitted.

The penalty can also be charged if the organization files an incomplete return, such as by failing to complete a required line item or a required part of a schedule. To avoid penalties and having to supply missing information later:

- Complete all applicable line items;
- Unless instructed to skip a line, answer each question on the return;
- Make an entry (including a zero when appropriate) on all lines requiring an amount or other information to be reported; and
- Provide required explanations as instructed.

Also, this penalty can be imposed if the organization's return contains incorrect information. For example, an organization that reports contributions net of related fundraising expenses can be subject to this penalty.

Use of a paid preparer doesn't relieve the organization of its responsibility to file a complete and accurate return.

Against responsible person(s). If the organization doesn't file a complete return or doesn't furnish correct information, the IRS will send the organization a letter that includes a fixed time to fulfill these requirements. After that period expires, the person failing to comply will be charged a penalty of $10 a day. The maximum penalty on all persons for failures for any one return shall not exceed $5,500. Updated from $5,000

There are also penalties (fines and imprisonment) for willfully not filing returns and for filing fraudulent returns and statements with the IRS (see sections 7203, 7206, and 7207). States can impose additional penalties for failure to meet their separate filing requirements.

Automatic revocation for nonfiling for 3 consecutive years. The law requires most tax-exempt organizations to file an annual Form 990, 990-EZ, or 990-PF with the IRS, or to submit a Form 990-N e-Postcard to the IRS. For information on exceptions to this requirement, go to *Annual Exempt Organization Return: Who Must File*. If an organization fails to file an annual return or submit a notice as required for 3 consecutive years, its tax-exempt status is automatically revoked on and after the due date for filing its third annual return or notice. Organizations that lose their tax-exempt status may need to file income tax returns and pay income tax, but may apply for reinstatement of exemption. For details, go to *IRS.gov/EO*.

I. Group Return

A central, parent, or similar organization can file a **group return** on Form 990 for two or more subordinate or local organizations that are:

- Affiliated with the central organization at the time its tax year ends,
- Subject to the central organization's general supervision or control,
- Exempt from tax under a **group exemption** letter that is still in effect, and
- Using the same tax year as the central organization.

The central organization can't use a Form 990-EZ for the group return.

A **subordinate organization** may choose to file a separate annual information return instead of being included in the group return.

If the **central organization** is required to file a return for itself, it must file a separate return and can't be included in the group return. See Regulations section 1.6033-2(d)(1). See *Section B,* earlier, for a list of organizations not required to file.

Every year, each subordinate organization must authorize the central organization in writing to include it in the group return and must declare, under penalties of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

The central organization should send the annual information update required to maintain a group exemption ruling (a separate requirement from the annual return) to:

Penalty amounts adjusted for inflation.

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

For special instructions regarding answering certain Form 990 questions about parts or schedules in the context of a group return, see *Appendix E*.

J. Requirements for a Properly Completed Form 990

All organizations filing Form 990 must complete Parts I through XII, Schedule O (Form 990), and any schedules for which a "Yes" response is indicated in Part IV. If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Public inspection. In general, all information the organization reports on or with its Form 990, including schedules and attachments, will be available for public inspection. Note, however, the special rules for Schedule B (Form 990), a required schedule for certain organizations that file Form 990. Make sure PDF attachments (if any) are clear and legible. For more information on public inspection requirements, see *Appendix D*, and Pub. 557, Tax-Exempt Status for Your Organization.

Signature. A Form 990 isn't complete without a proper signature. For details, see the instructions for *Part II, Signature Block*, later.

Recordkeeping. The organization's records should be kept for as long as they may be needed for the administration of any provision of the Internal Revenue Code. Usually, records that support an item of income, deduction, or credit must be kept for a minimum of 3 years from the date the return is due or filed, whichever is later. Keep records that verify the organization's basis in property for as long as they are needed to figure the basis of the original or replacement property. Applicable law and an organization's policies can require that the organization retain records longer than 3 years. Form 990, Part VI, line 14, asks whether the organization has a document retention and destruction policy.

The organization should also keep copies of any returns it has filed. They help in preparing future returns and in making computations when filing an amended return.

Rounding off to whole dollars. The organization must round off cents to whole dollars on the returns and schedules, unless otherwise noted for particular questions. To round, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, $1.49 becomes $1 and $2.50 becomes $3. If the organization has to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Completing all lines. Make an entry (including -0- when appropriate) on all lines requiring an amount or other information to be reported. Don't leave any applicable lines blank, unless expressly instructed to skip that line. If answering a line is predicated on a "Yes" answer to the preceding line, and if the organization's answer to the preceding line was "No," then leave the "If Yes" line blank.

All filers must file Schedule O (Form 990). Certain questions require all filers to provide an explanation in Schedule O (Form 990). In general, answers can be explained or supplemented in Schedule O (Form 990) if the allotted space on the form or other schedule is insufficient, or if a "Yes" or "No" answer is required but the organization wishes to explain its answer.

Missing or incomplete parts of the form and/or required schedules may result in the IRS contacting you to obtain the missing information. Failure to supply the information may result in a penalty being assessed to your account. For tips on filing complete returns, go to *IRS.gov/Charities*.

Reporting proper amounts. Some lines request information reported on other forms filed by the organization (such as Forms W-2, 1099, and 990-T). If the organization is aware that the amount actually reported on the other form is incorrect, it must report on Form 990 the information that should have been reported on the other form (in addition to filing an amended form with the proper amount).

In general, don't report negative numbers, but use -0- instead of a negative number, unless the instructions otherwise provide. Report revenue and expenses separately and don't net related items, unless otherwise provided.

Inclusion of activities and items of disregarded entities and joint ventures. An organization must report on its Form 990 all of the revenues, expenses, assets, liabilities, and net assets or funds of a **disregarded entity** of which it is the sole member, and must report on its Form 990 its share of all such items of a **joint venture** or other investment or arrangement treated as a partnership for federal income tax purposes. This includes passive investments. In addition, the organization must generally report activities of a disregarded entity or a **joint venture** on the appropriate parts or schedules of Form 990. For special instructions about the treatment of disregarded entities and joint ventures for various parts of the form, see *Appendix F*.

Reporting information from third parties. Some lines request information that the organization may need to obtain from third parties, such as compensation paid by **related organizations**; family and business relationships between **officers, directors, trustees, key employees,** and certain businesses they own or control; the organization's share of the income and assets of a partnership or joint venture in which it has an ownership interest; and certain transactions between the organization and interested persons. The organization should make reasonable efforts to obtain this information. If it is unable to obtain certain information by the due date for filing the return, it should file Form(s) 8868 to request a filing extension. See *Section F. Extension of Time To File,* earlier. If the organization is unable to obtain this information by the extended due date after making reasonable efforts, and isn't certain of the answer to a particular question, it may make a reasonable estimate, where applicable, and explain in Schedule O.

Assembling Form 990, Schedules, and Attachments

Before filing Form 990, assemble the package of forms, schedules, and attachments in the following order.

1. **Core form** with Parts I through XII completed, filed in numerical order.

2. Schedules, completed as applicable, filed in alphabetical order (see Form 990, Part IV, for required schedules).

3. Attachments, completed as applicable. These include (a) name change amendment to organizing document required by Item B on page 1; (b) list of **subordinate organizations** included in a **group return** required by Item H on page 1; (c) articles of merger or dissolution, resolutions, and plans of liquidation or merger required by Schedule N (Form 990); and (d) for **hospital organizations** only, a copy of the most recent **audited financial statements**.

Don't attach materials not authorized in the instructions or not otherwise authorized by the IRS.

To facilitate the processing of your return, don't password protect or encrypt PDF attachments. Password protecting or encrypting a PDF file that is attached to an e-filed return prevents the IRS from opening the attachment.

Specific Instructions

Heading. Items A–M

Complete items A through M.

Item A. Accounting period. File the 2022 return for calendar year 2022 and fiscal years that began in 2022 and ended in 2023. For a fiscal year return, fill in the tax year space at the top of page 1. See *General Instructions, Section D. Accounting Periods and Methods,* earlier, for additional information about accounting periods.

Item B. Checkboxes. The following checkboxes are under **Item B**.

Address change. Check this box if the organization changed its address and hasn't reported the change on its most recently filed Form 990, 990-EZ, 990-N, or 8822-B, Change of Address or Responsible Party—Business, or in correspondence to the IRS.

If a change in address occurs after the return is filed, use Form 8822-B to notify the IRS of the new address.

Name change. Check this box if the organization changed its legal name (not its "doing business as" name) and if the organization hasn't reported the change on its most recently filed Form 990 or 990-EZ or in correspondence to the IRS. If the organization changed its name, attach the following documents:

IF the organization is . . .	THEN attach . . .
a corporation	a copy of the amendment to the articles of incorporation and proof of filing with the appropriate state authority.
a trust	a copy of the amendment to the trust instrument, or a resolution to amend the trust instrument, showing the effective date of the change of name and signed by at least one trustee.
an unincorporated association	a copy of the amendment to the articles of association, constitution, or other organizing document, showing the effective date of the change of name and signed by at least two officers, trustees, or members.

Initial return. Check this box if this is the first time the organization is filing a Form 990 and it hasn't previously filed a Form 990-EZ, 990-PF, 990-T, or 990-N.

Final return/terminated. Check this box if the organization has terminated its existence or ceased to be a section 501(a) or section 527 organization and is filing its final return as an exempt organization or section 4947(a)(1) trust. For example, an organization should check this box when it has ceased operations and dissolved, merged into another organization, or has had its exemption revoked by the IRS. An organization that checks this box because it has liquidated, terminated, or dissolved during the tax year must also attach Schedule N (Form 990).

An organization must support any claim to have liquidated, terminated, dissolved, or merged by attaching a certified copy of its articles of dissolution or merger approved by the appropriate state authority. If a certified copy of its articles of dissolution or merger isn't available, the organization must submit a copy of a resolution or resolutions of its governing body approving plans of liquidation, termination, dissolution, or merger.

Amended return. Check this box if the organization previously filed a return with the IRS for a tax year and is now filing another return for the same tax year to amend the previously filed return. Enter on Schedule O (Form 990) the parts and schedules of the Form 990 that were amended and describe the amendments. See *General Instructions, Section G. Amended Return/Final Return,* earlier, for more information.

Application pending. Check this box if the organization either has filed a Form 1023, 1023-EZ, 1024, or 1024-A with the IRS and is awaiting a response, or claims tax-exempt status under section 501(a) but hasn't filed Form 1023, 1023-EZ, 1024, or 1024-A to be recognized by the IRS as tax exempt. If this box is checked, the organization must complete all parts of Form 990 and any required schedules. An organization that is required to file an annual information return (Form 990 or Form 990-EZ) or submit an annual electronic notice (Form 990-N) for a tax year (see *General Instructions, Section A,* earlier) must do so even if it hasn't yet filed a Form 1023, 1023-EZ, 1024, or 1024-A with the IRS, if it claims tax-exempt status.

To qualify for tax exemption retroactive to the date of its organization or formation, an organization claiming tax-exempt status under section 501(c) (other than 501(c)(29)) must generally file an application for recognition of exemption (Form 1023, 1023-EZ, 1024, or 1024-A) within 27 months of the end of the month in which it was legally organized or formed.

Item C. Name and address. Enter the organization's legal name on the "Name of organization" line. If the organization operates under a name different from its legal name, enter the alternate name on the "Doing Business As" (DBA) line. If multiple DBA names won't fit on the line, enter one on the line and enter the others on Schedule O (Form 990).

If the organization receives its mail in care of a third party (such as an accountant or an attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

Include the suite, room, or other unit number after the street address. If the post office doesn't deliver mail to the street address and the organization has a P.O. box, enter the box number instead of the street address.

For foreign addresses, enter the information in the following order: city or town, state or province, the name of the country, and the postal code. Don't abbreviate the country name.

If a change of address occurs after the return is filed, use Form 8822-B to notify the IRS of the new address.

Item D. Employer identification number (EIN). Each organization (including a subordinate of a central organization) must have its own EIN. Use the **EIN** provided to the organization for filing its Form 990 and federal tax returns. An organization should never use the EIN issued to another organization, even if the organizations are related. The organization must have only one EIN. If it has more than one and hasn't been advised which to use, notify the:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0027

State the numbers the organization has, the name and address to which each EIN was assigned, and the address of the organization's principal office. The IRS will advise the organization which number to use.

*A **subordinate organization** that files a separate Form 990 instead of being included in a group return must use its own EIN, and not that of the **central organization**.*

A section 501(c)(9) voluntary employees' beneficiary association must use its own EIN and not the EIN of its sponsor.

Item E. Telephone number. Enter a telephone number of the organization that members of the public and government personnel can use during normal business hours to obtain information about the organization's finances and activities. If the organization doesn't have a telephone number, enter the telephone number of an organization official who can provide such information.

Item F. Name and address of principal officer. The address provided must be a complete mailing address to enable the IRS to communicate with the organization's current (as of the date this return is filed) **principal officer**, if necessary. If the officer prefers to be contacted at the organization's address listed in Item C, enter "same as C above." For purposes of this item, "principal officer" means an **officer** of the organization who, regardless of title, has ultimate responsibility for implementing the decisions of the organization's **governing body**, or for supervising the management, administration, or operation of the organization.

If a change in responsible party occurs after the return is filed, use Form 8822-B to notify the IRS of the new responsible party.

Item G. Gross receipts. On Form 990, Part VIII, column A, add line 6b (both columns (i) and (ii)), line 7b (both columns (i) and (ii)), line 8b, line 9b, line 10b, and line 12, and enter the total here. See the exceptions from filing Form 990 based on **gross receipts** and **total assets** as described in *General Instructions, Sections A and B,* earlier.

Item H. Group returns. If the organization answers "No" to Item H(a), it shouldn't check a box in Item H(b). If the organization answers "Yes" to Item H(a) but "No" to Item H(b), attach a list (not on Schedule O (Form 990)) showing the name, address, and **EIN** of each local or **subordinate organization** included in the **group return**. Additionally, attach a list (not on Schedule O) showing the name, address, and EIN of each subordinate organization not included in the group return. If the organization answers "Yes" to Item H(a) and "Yes" to Item H(b), attach a list (not on Schedule O) showing the name, address, and EIN of each subordinate organization included in the group return. See Regulations section 1.6033-2(d)(2)(ii). A central or subordinate organization filing an individual return should not attach such a list. Enter in Item H(c) the four-digit group exemption number (GEN) if the organization is filing a group return, or if the organization is a central or subordinate organization in a **group exemption** and is filing a separate return. Don't confuse the four-digit GEN with the nine-digit EIN reported on Item D of the form's heading. A **central organization** filing a group return must not report its own EIN in Item D, but report the special EIN issued for use with the group return.

If attaching a list:

- Enter the form number ("Form 990") and tax year,
- Enter the group exemption name and **EIN**, and
- Enter the four-digit GEN.

Item I. Tax-exempt status. Check the applicable box. If the organization is exempt under section 501(c) (other than section 501(c)(3)), check the second box and insert the appropriate subsection number within the parentheses (for example, "4" for a section 501(c)(4) organization).

Item J. Website. Enter the organization's current address for its primary website, as of the date of filing this return. If the organization doesn't maintain a website, enter "N/A" (not applicable).

Item K. Form of organization. Check the box describing the organization's legal entity form or status under state law in its state of legal domicile. These include corporations, trusts, unincorporated associations, and other entities (for example, partnerships and limited liability companies (LLCs)).

Item L. Year of formation. Enter the year in which the organization was legally created under state or foreign law. If a corporation, enter the year of incorporation.

Item M. State of legal domicile. For a corporation, enter the state of incorporation (country of incorporation for a foreign corporation formed outside the United States). For a trust or other entity, enter the state whose law governs the organization's internal affairs (or the foreign country whose law governs for a foreign organization other than a corporation).

Part I. Summary

*Because Part I generally reports information reported elsewhere on the form, **complete Part I after the other parts of the form are completed.** See* General Instructions, Section C, *earlier.*

Complete lines 3–5 and 7–22 by using applicable references made in Part I to other items.

Line 1. Describe the organization's mission or its most significant activities for the year, whichever the organization wishes to highlight, on the summary page.

Line 2. Check this box if the organization answered "Yes" on Part IV, line 31 or 32, and complete Schedule N (Form 990), Part I or Part II.

Line 6. Enter the number of **volunteers**, full-time and part-time, including volunteer members of the organization's governing body, who provided volunteer services to the organization during the reporting year. Organizations that don't keep track of this information in their books and records or report this information elsewhere (such as in annual reports or grant proposals) can provide a reasonable estimate, and can use any reasonable basis for determining this estimate. Organizations can, but aren't required to, provide an explanation on Schedule O (Form 990) of how this number was determined, the number of hours those volunteers served during the tax year, and the types of services or benefits provided by the organization's volunteers.

Line 7b. If the organization isn't required to file a Form 990-T for the tax year, enter "0." If the organization hasn't yet filed Form 990-T for the tax year, provide an estimate of the amount it expects to report on Form 990-T, Part I, line 11, when it is filed.

Lines 8–19. If this is an initial return, or if the organization filed Form 990-EZ or 990-PF in the prior year, leave the "Prior Year" column blank. Use the same lines from the 2021 Form 990 to determine what to report for prior year revenue and expense amounts.

Line 16a. Enter the total of (i) the fees for professional fundraising services reported in Part IX, column (A), line 11e; and (ii) the portion of the amount reported in Part IX, column (A), lines 5 and 6, that comprises fees for professional fundraising services paid to officers, directors, trustees, key employees, and

disqualified persons, whether or not such persons are employees of the organization. Exclude the latter amount from Part I, line 15.

Part II. Signature Block

The return must be signed by the current president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as a tax officer) who is authorized to sign as of the date this return is filed. A receiver, trustee, or assignee must sign any return he or she files for a corporation or association. See Regulations section 1.6012-3(b)(4). For a trust, the authorized trustee(s) must sign. The definition of "officer" for purposes of Part II is different from the definition of **officer** (see *Glossary*) used to determine which officers to report elsewhere on the form and schedules, and from the definition of **principal officer** for purposes of the Form 990 *heading* (see *Glossary)*.

Paid Preparer

Generally, anyone who is paid to prepare the return must sign the return, list the preparer taxpayer identification number (PTIN), and fill in the other blanks in the *Paid Preparer Use Only* area. An employee of the filing organization isn't a paid preparer.

The paid preparer must:

- Sign the return in the space provided for the preparer's signature;
- Enter the preparer information, including the preparer's PTIN; and
- Give a copy of the return to the organization.

Any paid preparer can apply for and obtain a PTIN online at *IRS.gov/PTIN* or by filing Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal.

CAUTION *Enter the paid preparer's PTIN, not his or her social security number (SSN), in the "PTIN" box in the paid preparer's block. The IRS won't redact the paid preparer's SSN if such SSN is entered on the paid preparer's block. Because Form 990 is a publicly disclosable document, any information entered in this block will be publicly disclosed (see* Appendix D*). For more information about applying for a PTIN online, go to the IRS website at IRS.gov/TaxPros.*

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Paid Preparer Authorization

On the last line of Part II, check "Yes" if the IRS can contact the paid preparer who signed the return to discuss the return. This authorization applies only to the individual whose signature appears in the *Paid Preparer Use Only* section of Form 990. It doesn't apply to the firm, if any, shown in that section.

By checking "Yes," the organization is authorizing the IRS to contact the paid preparer to answer any questions that arise during the processing of the return. The organization is also authorizing the paid preparer to:

- Give the IRS any information missing from the return;
- Call the IRS for information about processing the return; and
- Respond to certain IRS notices about math errors, offsets, and return preparation.

The organization isn't authorizing the paid preparer to bind the organization to anything or otherwise represent the organization before the IRS.

The authorization will automatically end no later than the due date (excluding extensions) for filing of the organization's 2023 Form 990. If the organization wants to expand the paid preparer's authorization or revoke it before it ends, see Pub. 947, Practice Before the IRS and Power of Attorney.

Check "No" if the IRS should contact the organization or its principal officer listed in Item F of the heading on page 1, rather than the paid preparer.

Part III. Statement of Program Service Accomplishments

Check the box in the heading of Part III if Schedule O (Form 990) contains any information pertaining to this part. Part III requires reporting regarding the organization's program service accomplishments. A program service is an activity of an organization that accomplishes its exempt purpose. Examples of program service accomplishments can include:

- A section 501(c)(3) organization's charitable activities such as a hospital's provision of charity care under its charity care policy, a college's provision of higher education to students under a degree program, a disaster relief organization's provision of grants or assistance to victims of a natural disaster, or a nursing home's provision of rehabilitation services to residents;
- A section 501(c)(5) labor union's conduct of collective bargaining on behalf of its members;
- A section 501(c)(6) business league's conduct of meetings for members to discuss business issues; or
- A section 501(c)(7) social club's operation of recreational and dining facilities for its members.

Don't report a fundraising activity as a program service accomplishment unless it is substantially related to the accomplishment of the organization's exempt purposes (other than by raising funds).

Line 1. Describe the organization's mission as articulated in its mission statement or as otherwise adopted by the organization's **governing body**, if applicable. If the organization doesn't have a mission that has been adopted or ratified by its **governing body**, enter "None."

Line 2. Answer "Yes" if the organization undertook any new significant program services prior to the end of the **tax year** that it didn't describe in a prior year's Form 990 or 990-EZ. Describe these items on Schedule O (Form 990). If any are among the activities described on Form 990, Part III, line 4, the organization can reference the detailed description on line 4. If the organization has never filed a Form 990 or 990-EZ, answer "No."

Line 3. Answer "Yes" if the organization made any significant changes prior to the end of the **tax year** in how it conducts its program services to further its exempt purposes, or if the organization ceased conducting significant program services that had been conducted in a prior year. Describe these items on Schedule O (Form 990).

TIP *An organization must report new, significant program services, or significant changes in how it conducts program services on its Form 990, Part III, rather than in a letter to IRS Exempt Organizations Determinations ("EO Determinations"). EO Determinations no longer issues letters confirming the tax-exempt status of organizations that report such new services or significant changes.*

Lines 4a–4c. All organizations must describe their accomplishments for each of their three largest program services, as measured by total expenses incurred (not including donated services or the donated use of materials, equipment, or facilities). If there were three or fewer of such activities, describe each program service activity. The organization can report on Schedule O (Form 990) additional activities that it considers of comparable or greater importance, although smaller in terms of expenses incurred (such as activities conducted with **volunteer** labor).

Code. For the 2022 tax year, leave this blank.

Expenses and grants. For each program service reported on lines 4a–4c, section 501(c)(3) and 501(c)(4) organizations must enter total expenses included on Part IX, line 25, column (B), and total grants and allocations (if any) included within such total expenses that were reported on Part IX, lines 1–3, column (B). For all other organizations, entering these amounts is optional.

Revenue. For each program service, section 501(c)(3) and 501(c)(4) organizations must report any revenue derived directly from the activity, such as fees for services or from the sale of goods that directly relate to the listed activity. This revenue includes program service revenue reported on Part VIII, line 2, column (A), and includes other amounts reported on Part VIII, lines 3–11, as related or exempt function revenue. Also include **unrelated business income** from a business that exploits an exempt function, such as advertising in a journal. For this purpose, charitable contributions and grants (including the charitable contribution portion, if any, of membership dues) reported on Part VIII, line 1, aren't considered revenue derived from program services. For organizations other than section 501(c)(3) and 501(c)(4) organizations, entering these amounts is optional.

Description of program services. For each program service reported, include the following.

- Describe program service accomplishments through specific measurements such as clients served, days of care provided, number of sessions or events held, or publications issued.
- Describe the activity's objective, for both this time period and the longer-term goal, if the output is intangible, such as in a research activity.
- Give reasonable estimates for any statistical information if exact figures aren't readily available. Indicate that this information is estimated.
- Be clear, concise, and complete in the description. Use Schedule O (Form 990) if additional space is needed.

Donated services or use of equipment, materials, or facilities. The organization can report the amount of any donated services, or use of materials, equipment, or facilities it received or used in connection with a specific program service, on the lines for the narrative description of the appropriate program service. However, don't include these amounts in revenue, expenses, or grants reported on Part III, lines 4a–4e, even if prepared according to **generally accepted accounting principles**.

Public interest law firm. A public interest law firm exempt under section 501(c)(3) or section 501(c)(4) must include a list of all the cases in litigation or that have been litigated during the year. For each case:

- Describe the matter in dispute,
- Explain how the litigation will benefit the public generally, and
- Enter the fees sought and recovered.

See Rev. Proc. 92-59, 1992-2 C.B. 411.

Line 4d. Other program services. Enter on Schedule O (Form 990) the organization's other program services. The detailed description required for the three largest program services need not be provided for these other program services. Section 501(c)(3) and 501(c)(4) organizations must report on line 4d their total revenues reported on Part VIII, line 2, column (A), and their total expenses (including grants) reported on Part IX, column (B), that are attributable to these other program services, and must report on Part III, line 4e, their total program service expenses from Part III, lines 4a–4d. For all other organizations, entering these amounts is optional. The organization may report the non-contribution portion of membership dues on line 4d or allocate that portion among lines 4a–4c.

Part IV. Checklist of Required Schedules

For each "Yes" answer to a question on Form 990, Part IV, complete the applicable schedule (or part or line of the schedule). See the *Glossary* and instructions for the pertinent schedules for definitions of terms and explanations that are relevant to questions in this part.

The organization isn't required to answer "Yes" to a question on Form 990, Part IV, or complete the schedule (or part of a schedule) to which the question is directed if the organization isn't required to provide any information in the schedule (or part of the schedule). Thus, a minimum dollar threshold for reporting information on a schedule may be relevant in determining whether the organization must answer "Yes" on a question on Form 990, Part IV.

Line 1. Answer "Yes" if the organization is a section 501(c)(3) organization that isn't a **private foundation**. Answer "Yes" if the organization claims section 501(c)(3) status but hasn't yet filed a Form 1023 or Form 1023-EZ application or received a determination letter recognizing its section 501(c)(3) status. All other organizations answer "No."

Line 2. Answer "Yes" if any of the following are satisfied.

- A section 501(c)(3) organization met the 33$^1/_3$% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi); checks the box on Schedule A (Form 990), Part II, line 13, 16a, or 16b; and received from any one contributor, during the year, **contributions** of the greater of $5,000 (in money or property) or 2% of the amount on Form 990, Part VIII, line 1h. An organization filing Schedule B (Form 990) can limit the contributors it reports on Schedule B (Form 990) using this greater-than-$5,000/2% threshold only if it checks the box on Schedule A (Form 990), Part II, line 13, 16a, or 16b.
- A section 501(c)(3) organization didn't meet the 33$^1/_3$% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and received during the year **contributions** of $5,000 or more from any one contributor.
- A section 501(c)(7), 501(c)(8), or 501(c)(10) organization received, during the year, (a) **contributions** of any amount for use *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals; or (b) contributions of $5,000 or more not exclusively for such purposes from any one contributor.
- Any other organization that received, during the year, contributions of $5,000 or more from any one contributor.

Don't attach substitutes for Schedule B (Form 990).

Line 3. All organizations must answer this question, even if they aren't subject to a prohibition against **political campaign activities**. Answer "Yes" whether the activity was conducted directly or indirectly through a **disregarded entity** or a **joint venture** or other arrangement treated as a partnership for federal income tax purposes and in which the organization is an owner.

Line 4. Complete only if the organization is a section 501(c)(3) organization. Other organizations leave this line blank. Answer "Yes" if the organization engaged in **lobbying activities** or had a section 501(h) election in effect during the **tax year**. All section 501(c)(3) organizations that had a section 501(h) election in effect during the tax year must complete Schedule C (Form 990), Part II-A, whether or not they engaged in lobbying activities during the tax year.

Line 5. Answer "Yes" only if the organization is a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined

in Rev. Proc. 98-19, 1998-1 C.B. 547. Other organizations answer "No."

Line 6. Answer "Yes" if the organization maintained at any time during the organization's tax year a **donor advised fund** or another similar fund or account (that is, any account over which the donor or a person appointed by the donor had advisory privileges over the use or investment of any portion of the account, but which isn't a **donor advised fund**). Examples of other similar funds or accounts include, but aren't limited to, the types of funds or accounts described as exceptions to the *Glossary* definition of a **donor advised fund**.

Line 7. Answer "Yes" if the organization received or held any **conservation easement** at any time during the year, regardless of how the organization acquired the easement or whether a charitable deduction was claimed by a donor of the easement.

Line 8. Answer "Yes" if, at any time during the year, the organization maintained **collections of works of art, historical treasures, and other similar assets** as described in ASC 958-360-45, whether or not the organization reported revenue and assets related to such collections in its financial statements.

Organizations that answer "Yes" on line 8 will often answer "Yes" on Part IV, line 30, which addresses current-year ***noncash contributions*** *of such items.*

Line 9. Answer "Yes" if, at any time during the organization's tax year, the organization (1) had an **escrow or custodial account**; (2) provided **credit counseling services** and/or **debt management plan services**, such as credit repair or debt negotiations; or (3) acted as an agent, trustee, custodian, or other intermediary for contributions or other assets not included in Part X.

Line 10. Answer "Yes" if the organization, a **related organization**, or an organization formed and maintained exclusively to further one or more exempt purposes of the organization (such as a foundation formed and maintained exclusively to hold **endowment funds** to provide scholarships and other funds for a college or university described within section 501(c)(3)) held assets in **donor-restricted endowment funds**, **board designated (quasi)**, or endowment funds at any time during the year, whether or not the organization follows **ASC 958**, or reports endowment funds in Part X, line 31. See the instructions for Schedule D (Form 990), Part V, for the definitions of these types of endowment funds.

Line 11. Answer "Yes" if the organization reported an amount for land, buildings, equipment, or leasehold improvements on Part X, line 10; an amount for other liabilities on Part X, line 25; or if its financial statements for the tax year included a footnote that addresses its liability for uncertain tax positions under FIN 48 (FASB ASC 740) (including a statement that the organization had no liability for uncertain tax positions). Also, answer "Yes" if the organization reported in Part X an amount for investments-other securities, investments-program related, or other assets, on any of line 12,13, or 15, that is 5% or more of the total assets reported on Part X, line 16.

Line 12a. Answer "Yes" if the organization received separate, independent **audited financial statements** for the year for which it is completing this return, or if the organization is reporting for a short year that is included in, but not identical to, the period for which the audited financial statements were obtained. All other organizations answer "No." Answer "No" if the organization was included in consolidated audited financial statements, unless the organization also received separate audited financial statements.

An accountant's **compilation** or **review of financial statements** isn't considered to be an audit and doesn't produce audited financial statements. If the organization answers "No," but has prepared, for the year for which it is completing this return, a financial statement that wasn't audited, the organization can (but isn't required to) provide the reconciliations contained on Schedule D (Form 990), Parts XI–XII.

Line 12b. Answer "Yes" if the organization was included in consolidated, independent **audited financial statements** for the year for which it is completing this return. All other organizations answer "No." Answer "Yes" if the organization is reporting for a short year that is included in, but not identical to, the period for which the audited financial statements were obtained.

Line 13. Answer "Yes" if the organization checked the box on Schedule A (Form 990), Part I, line 2, indicating that it is a **school**.

Lines 14a–14b. Answer "Yes" on line 14a if the organization maintained an office, or had employees or agents, or independent contractors outside the **United States**. Answer "Yes" on line 14b if the organization had aggregate revenue or expenses of more than $10,000 from or attributable to grantmaking, **fundraising activities**, business, investment, and program service activities outside the **United States**, or if the book value of the organization's aggregate investments in foreign partnerships, foreign corporations, and other foreign entities was $100,000 or more at any time during the **tax year**.

In the case of indirect investments made through investment entities, the extent to which revenue or expenses are taken into account in determining whether the $10,000 threshold is exceeded will depend upon whether the investment entity is treated as a partnership or corporation for U.S. tax purposes. For example, an organization with an interest in a foreign partnership would need to take into account its share of the partnership's revenue and expenses in determining whether the $10,000 threshold is exceeded. An organization with an investment in a foreign corporation would need to take into account dividends it receives from the corporation, but wouldn't need to take into account or report any portion of the revenues, expenses, or expenditures of a foreign corporation in which it holds an investment, provided that the corporation is treated as a separate corporation for U.S. tax purposes.

Line 15. Answer "Yes" if the organization reported on Part IX, line 3, column (A), more than $5,000 of **grants and other assistance** to any **foreign organization** or entity (including a **foreign government**), or to a **domestic organization** or **domestic individual** for the purpose of providing grants or other assistance to a designated **foreign organization** or organizations.

Line 16. Answer "Yes" if the organization reported on Part IX, line 3, column (A), more than $5,000 of aggregate **grants and other assistance** to **foreign individuals**, or to **domestic organizations** or **domestic individuals** for the purpose of providing grants or other assistance to a designated foreign individual or individuals.

Lines 17–18. Answer "Yes" on line 17 if the total amount reported for **professional fundraising services** in Part IX (line 11e, plus the portion of the line 6 amount attributable to professional fundraising services) exceeds $15,000.

Answer "Yes" on line 18 if the sum of the amounts reported on lines 1c and 8a of Form 990, Part VIII, exceeds $15,000. An organization that answers "No" should consider whether to complete Schedule G (Form 990) in order to report its **fundraising activities** or **gaming** activities for state or other reporting purposes.

Line 20a. Answer "Yes" if the organization, directly or indirectly through a **disregarded entity** or **joint venture** treated as a partnership for federal income tax purposes, operated one or more **hospital facilities** at any time during the **tax year**. Except

in the case of a **group return**, don't include hospital facilities operated by another organization that is treated as a separate taxable or tax-exempt corporation for federal income tax purposes. For group returns, answer "Yes" if any subordinate included in the group return operated such a hospital facility.

Line 20b. If the organization operated one or more **hospital facilities** at any time during the **tax year**, then it must attach a copy of its most recent **audited financial statements**. If the organization was included in consolidated audited financial statements but not separate audited financial statements for the tax year, then it must attach a copy of the consolidated financial statements, including details of consolidation (whether or not audited).

Line 21. Answer "Yes" if the organization reported on Part IX, line 1, column (A), more than $5,000 of **grants and other assistance** to any **domestic organization,** or to any domestic government. For instance, answer "No" if the organization made a $4,000 grant to each of two domestic organizations and no other grants. Don't report grants or other assistance provided to domestic organizations or domestic governments for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

Section 501(c)(21) trusts. Use Schedule I (Form 990) to report amounts over $5,000 paid by the trust (1) to the Federal Black Lung Disability Trust Fund pursuant to section 3(b)(3) of Public Law 95-227, or (2) for insurance exclusively covering liabilities under sections 501(c)(21)(A)(i)(I) and 501(c)(21)(A)(i)(IV). For details, see Regulations section 1.501(c)(21)-1(d).

Line 22. Answer "Yes" if the organization reported on Part IX, line 2, column (A), more than $5,000 of aggregate **grants and other assistance** to or for **domestic individuals**. Don't report grants or other assistance provided to or for domestic individuals for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

Section 501(c)(21) trusts. Use Schedule I (Form 990) to report amounts over $5,000 paid by the black lung trust to or for the benefit of miners or their beneficiaries other than amounts included on line 21. Such payments could include direct payment of medical bills, etc., authorized by the Act and accident and health benefits for retired miners and their spouses and dependents.

Line 23. Answer "Yes" if the organization:

- Listed in Part VII a *former* **officer**, **director**, **trustee**, **key employee**, or **highest compensated employee**; or
- Reported for any person listed in Part VII more than $150,000 of **reportable compensation** and other **compensation**.

Also answer "Yes" if, under the circumstances described in the instructions for Part VII, Section A, line 5, the filing organization had knowledge that any person listed in Part VII, Section A, received or accrued **compensation** from an **unrelated organization** for services rendered to the filing organization.

Line 24. Lines 24a–24d involve questions regarding **tax-exempt bonds**. All organizations must answer "Yes" or "No" on line 24a. Those organizations that answer "Yes" on line 24a must also answer lines 24b through 24d and complete Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds. Those that answer "No" to line 24a can skip to line 25a.

Line 24a. Answer "Yes" and complete Schedule K (Form 990) for each **tax-exempt bond** issued by or for the benefit of the organization after December 31, 2002 (including refunding bonds) with an outstanding principal amount of more than $100,000 as of the last day of the organization's tax year. For this purpose, bonds that have been legally defeased, and as a result are no longer treated as a liability of the organization, aren't considered outstanding.

Line 24b. For purposes of line 24b, the organization need not include the following as investments of proceeds.

- Any investment of proceeds relating to a reasonably required reserve or replacement fund as described in section 148(d).
- Any investment of proceeds properly characterized as replacement proceeds as defined in Regulations section 1.148-1(c).
- Any investment of net proceeds relating to a **refunding escrow** as defined in Regulations section 1.148-1(b).

Temporary period exceptions are described in section 148(c) and Regulations section 1.148-2(e). For example, there is a 3-year temporary period applicable to proceeds spent on expenditures for capital projects and a 13-month temporary period applicable to proceeds spent on working capital expenditures.

Line 24c. For purposes of line 24c, the organization is treated as maintaining an escrow account if such account is maintained by a trustee for **tax-exempt bonds** issued for the benefit of the organization.

Line 24d. Answer "Yes" if the organization has received a letter ruling that its obligations were issued on behalf of a state or local **governmental unit**; meets the conditions for issuing **tax-exempt bonds** as set forth in Rev. Rul. 63-20, 1963-1 C.B. 24 (see Rev. Proc. 82-26, 1982-1 C.B. 476); or is a constituted authority organized by a state or local governmental unit to issue tax-exempt bonds in order to further public purposes (see Rev. Rul. 57-187, 1957-1 C.B. 65). Also answer "Yes" if the organization has outstanding qualified scholarship funding bonds under section 150(d) or bonds of a qualified volunteer fire department under section 150(e).

Lines 25a–25b. Complete lines 25a and 25b only if the organization is a section 501(c)(3), 501(c)(4), or 501(c)(29) organization. If the organization isn't described in section 501(c)(3), 501(c)(4), or 501(c)(29), skip lines 25a and 25b and leave them blank. On line 25b, answer "Yes" if the organization became aware, prior to filing this return, that it engaged in an **excess benefit transaction** with a **disqualified person** in a prior year, and if the transaction hasn't been reported on any of the organization's prior Forms 990 or 990-EZ.

TIP *An **excess benefit transaction** can have serious implications for the **disqualified person** that entered into the transaction with the organization, any **organization managers** that knowingly approved of the transaction, and the organization itself. A section 501(c)(3), 501(c)(4), or 501(c)(29) organization that becomes aware that it may have engaged in an **excess benefit transaction** should obtain competent advice regarding section 4958, pursue correction of any excess benefit, and take other appropriate steps to protect its interests with regard to such transaction and the potential impact it could have on the organization's continued exempt status. See* Appendix G. Section 4958 Excess Benefit Transactions, *later, for a discussion of section 4958; Schedule L (Form 990), Transactions With Interested Persons, Part I; and Form 4720, Schedule I, regarding reporting of excess benefit transactions.*

Lines 26–28. Lines 26 through 28 ask questions about loans and other receivables and payables between the organization and certain interested persons, and certain direct and indirect business transactions between the organization and governance and management officials of the organization or their associated businesses or **family members**. All organizations must answer these questions. The organization should review carefully the instructions for Schedule L (Form 990), Parts II–IV, before answering these questions and completing Schedule L (Form 990).

Line 29. The organization is required to answer "Yes" on line 29 if it received during the year more than $25,000 in **fair market**

value (FMV) of donations, gifts, grants, or other **contributions** of property other than cash, regardless of the manner received (such as for use in a charity auction). Don't include **contributions** of services or use of facilities.

Line 30. The organization is required to answer "Yes" on line 30 if during the year it received as a donation, gift, grant, or other **contribution**:

- Any **work of art**, **historical treasure**, historical artifact, scientific specimen, archaeological artifact, or similar asset, including a fractional interest, regardless of amount or whether the organization maintains collections of such items; or
- Any **qualified conservation contributions** regardless of whether the contributor claimed a charitable contribution deduction for such **contribution**.

See the instructions for Schedule M (Form 990), Noncash Contributions, for definitions of these terms.

Lines 31–32. The organization must answer "Yes" if it liquidated, terminated, dissolved, ceased operations, or engaged in a **significant disposition of net assets** during the year. See the instructions for Schedule N (Form 990) for definitions and explanations of these terms and transactions or events, and a description of articles of dissolution and other information that must be filed with Form 990.

Note that a significant disposition of net assets may result from either an expansion or contraction of operations. Organizations that answer "Yes" on either of these questions must also check the box in Part I, line 2, and complete Schedule N (Form 990), Part I or Part II.

Lines 33–34. The organization is required to report on Schedule R (Form 990) certain information regarding ownership or control of, and transactions with, its **disregarded entities** and tax-exempt and taxable **related organizations**. An organization that answers "Yes" on line 33 or 34 must enter its disregarded entities and related organizations on Schedule R (Form 990) and provide specified information regarding such organizations.

Report disregarded entities on Schedule R (Form 990), Part I; related tax-exempt organizations on Part II; related organizations taxable as partnerships on Part III; and any related organizations taxable as C or S corporations or trusts on Part IV.

Lines 35a–35b. If an organization was a **controlled entity** of the filing organization under section 512(b)(13) during the **tax year**, the filing organization must answer "Yes" on line 35a. It must answer "Yes" on line 35b and complete Schedule R (Form 990), Part V, line 2, if it either (1) received or accrued from its controlled entity any interest, annuities, royalties, or rent, regardless of amount, during the tax year; or (2) engaged in another type of transaction (see Schedule R (Form 990) for a list of transactions) with the controlled entity, if the amounts involved during the tax year for that type of transaction exceeded $50,000. See the *Glossary* and the Instructions for Schedule R (Form 990).

Controlled entities are a subset of **related organizations**. Answer "No" to line 35a if the organization had no related organizations during the tax year. If the answer to line 35a is "No," leave line 35b blank.

Line 36. Complete line 36 only if the organization is a section 501(c)(3) organization and engaged in a transaction over $50,000 during the **tax year** with a **related organization** that was tax exempt under a section other than section 501(c)(3). All other organizations leave this line blank and go to line 37. See the Instructions for Schedule R (Form 990) for more information on what needs to be reported on Schedule R (Form 990), Part V, line 2.

Line 37. Answer "Yes" if, at any time during the year, the organization conducted more than 5% of its activities, measured by total gross revenue for the tax year or **total assets** of the organization at the end of its **tax year**, whichever is greater, through an **unrelated organization** that is treated as a partnership for federal income tax purposes, and in which the organization was a partner or member at any time during the tax year. The 5% test is applied on a partnership-by-partnership basis, although direct ownership by the organization and indirect ownership through disregarded entities or tiered entities treated as partnerships are aggregated for this purpose. The organization need not report on Schedule R (Form 990), Part VI, either (1) the conduct of activities through an organization treated as a taxable or tax-exempt corporation for federal income tax purposes, or (2) unrelated partnerships that meet both of the following conditions.

- 95% or more of the filing organization's gross revenue from the partnership for the partnership's tax year ending with or within the organization's tax year is described in sections 512(b)(1), 512(b)(2), 512(b)(3), and 512(b)(5), such as interest, dividends, royalties, rents, and capital gains (including unrelated debt-financed income).
- The primary purpose of the filing organization's investment in the partnership is the production of income or appreciation of property and not the conduct of a section 501(c)(3) charitable activity such as program-related investing.

Line 38. Answer "Yes" if the organization completed Schedule O (Form 990).

TIP *Schedule O (Form 990) must be completed and filed by all organizations that file Form 990. All filers must provide narrative responses to certain questions (for example, Part VI, lines 11b and 19) on Schedule O (Form 990). Certain filers must provide narrative responses to other questions (for example, Part III, line 4d; Part V, line 3b; Part VI, lines 2–7b, 9, 12c, and 15a–b, for "Yes" responses; Part VI, lines 8a–b and 10b, for "No" responses; and Part XII, line 3b, for a "No" response). All filers can supplement their answers to other Form 990 questions on Schedule O (Form 990).*

Part V. Statements Regarding Other IRS Filings and Tax Compliance

Check the box in the heading of Part V if Schedule O (Form 990) contains any information pertaining to this part.

TIP *See* Glossary *for definitions of terms used in the questions in this section.*

TIP *Some questions in this part pertain to other IRS forms. Forms are available by downloading from the IRS website at IRS.gov/OrderForms. Also see* Appendix H. Forms and Publications To File or Use.

Line 1a. The organization must use Form 1096, Annual Summary and Transmittal of U.S. Information Returns, to transmit to the IRS paper Forms 1099, 1098, 5498, and W-2G, which are information returns reporting certain amounts paid or received by the organization. Report all such returns filed for the calendar year ending with or within the organization's **tax year**. If the organization transmits any of these forms electronically, add this number to the total reported. Examples of payments requiring Form 1099 reporting include certain payments to **independent contractors** for services rendered. Report on this line Forms 1099, 1098, 5498, and W-2G filed by reporting agents of the filing organization, including common paymasters and payroll agents, for the calendar year ending with or within the organization's tax year. Enter -0- if the organization didn't file any such forms for the calendar year ending with or within its tax

year, or if the organization is filing for a short year and no calendar year ended within its tax year.

Line 1b. Form W-2G pertains to certain gambling winnings.

Line 1c. For more information on backup withholding for missing or incorrect names or taxpayer identification numbers, see Pub. 1281, Backup Withholding for Missing and Incorrect Name/TIN(s). If backup withholding rules didn't apply to the organization because it didn't make a reportable payment to a vendor or provide reportable gaming (gambling) winnings to a prize winner, then leave line 1c blank.

Line 2a. Include on this line the number of the organization's employees (not the number of Forms W-2) reported on a Form W-3, Transmittal of Wage and Tax Statements, by both the filing organization and reporting agents of the filing organization, including common paymasters and payroll agents, for the calendar year ending with or within the filing organization's **tax year**. Enter -0- if the organization didn't have any employees during the calendar year ending with or within its tax year, or if the organization is filing for a short year and no calendar year ended within its tax year.

Line 2b. If the organization reported at least one employee on line 2a, answer whether the organization or reporting agents of the organization filed all required federal employment tax returns (which include Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return; and Form 941, Employer's QUARTERLY Federal Tax Return) relating to such employees. For more information, see the discussion of employment taxes in Pub. 557. The organization may leave line 2b blank if it didn't report any employees on line 2a.

Line 3a. Check "Yes" on line 3a if the organization's total gross income from all of its **unrelated trades or businesses** is $1,000 or more for the tax year. See Pub. 598, Tax on Unrelated Business Income of Exempt Organizations, for a description of **unrelated business income** and the Form 990-T filing requirements for organizations having such income.

CAUTION *Neither Form 990-T nor Form 990 is a substitute for the other. Report on Form 990 items of income and expense that are also required to be reported on Form 990-T when the organization is required to file both forms.*

Line 3b. Answer "Yes" if the organization checked "Yes" on line 3a and filed Form 990-T by the time this Form 990 is filed. Check "No" if the organization answered "Yes" on line 3a but hasn't filed Form 990-T by the time this Form 990 is filed, even if the organization has applied for an extension to file Form 990-T. If "No" on line 3b, provide an explanation on Schedule O (Form 990).

CAUTION *All tax-exempt organizations must pay estimated taxes for their **unrelated business income** if they expect their tax liability to be $500 or more. Use Form 990-W, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations, to compute these amounts.*

Line 4a. Answer "Yes" if either (1) or (2) below applies.

1. At any time during the calendar year ending with or within the organization's **tax year**, the organization had an interest in, or signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account); and

   a. The combined value of all such accounts was more than $10,000 at any time during the calendar year; and

   b. The accounts weren't with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that would answer "Yes" to item 1 above.

If "Yes," electronically file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), with the Department of the Treasury using FinCEN's BSA E-Filing System. Because FinCEN Form 114 isn't a tax form, don't file it with Form 990.

See *FINCEN.gov* for more information.

Line 4b. Enter the name of each foreign country in which a foreign account described on line 4a is located. Use Schedule O (Form 990) if more space is needed.

Line 5. Answer "Yes" on line 5a if the organization was party to a prohibited tax shelter transaction as described in section 4965(e) at any time during the organization's **tax year**. A prohibited tax shelter transaction is any listed transaction, within the meaning of section 6707A(c)(2), and any prohibited reportable transaction. A prohibited reportable transaction is a confidential transaction within the meaning of Regulations section 1.6011-4(b)(3), and a transaction with contractual protection within the meaning of Regulations section 1.6011-4(b)(4). For more information on prohibited tax shelter transactions, go to *IRS.gov*.

An organization that files Form 990 (other than a section 527 political organization) and that is a party to a prohibited tax shelter transaction must file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction, and may also have to file Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, and pay an excise tax imposed by section 4965. For more information, see the instructions for Forms 8886-T and 4720.

Line 6. Answer "Yes" on line 6a only if the organization has annual gross receipts that are normally greater than $100,000 and if it solicited contributions not deductible under section 170 during the tax year.

Any fundraising solicitation (including solicitation of member dues) by or on behalf of any section 501(c) or 527 organization that isn't eligible to receive **contributions** deductible as charitable contributions for federal income tax purposes must include an explicit statement that contributions or gifts to it aren't deductible as charitable contributions. The statement must be in an easily recognizable format whether the solicitation is made in written or printed form, by television or radio, or by telephone.

Failure to disclose that contributions aren't deductible could result in a penalty of $1,000 for each day on which a failure occurs. The maximum penalty for failures by any organization, during any calendar year, shall not exceed $10,000. See section 6710 for details. In cases where the failure to make the disclosure is due to intentional disregard of the law, more severe penalties apply. No penalty will be imposed if the failure is due to reasonable cause.

All organizations that qualify under section 170(c) to receive **contributions** that are deductible as charitable contributions for federal income tax purposes (such as domestic section 501(c)(3) organizations other than organizations that test for public safety) should answer "No" on line 6a.

Line 7. Line 7 is directed only to organizations that can receive deductible charitable **contributions** under section 170(c). See Pub. 526, Charitable Contributions, for a description of such organizations. All other organizations should leave lines 7a through 7h blank and go to line 8.

Lines 7a and 7b. If a donor makes a payment in excess of $75 partly as a contribution and partly in consideration for goods or services provided by the organization, the organization must generally notify the donor of the value of goods and services provided.

Example. A donor gives a charity $100 in consideration for a concert ticket valued at $40 (a quid pro quo **contribution**). In this example, $60 would be deductible. Because the donor's

payment exceeds $75, the organization must furnish a disclosure statement even though the taxpayer's deductible amount doesn't exceed $75. Separate payments of $75 or less made at different times of the year for separate fundraising events won't be aggregated for purposes of the $75 threshold.

See section 6113 and Notice 88-120, 1988-2 C.B. 454.

Lines 7c and 7d. If the organization is required to file Form 8282, Donee Information Return, to report information to the IRS and to donors about dispositions of certain donated property made within 3 years after the donor contributed the property, it must answer "Yes" and indicate the number of Forms 8282 filed.

Lines 7e and 7f. If, in connection with a transfer to or for the use of the organization, the organization directly or indirectly pays premiums on any personal benefit contract, or there is an understanding or expectation that any person will directly or indirectly pay such premiums, the organization must report on Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, the premiums it paid, and the premiums paid by others but treated as paid by the organization. The organization must report and pay an excise tax, equal to premiums paid, on Form 4720. A personal benefit contract is generally any life insurance, annuity, or endowment contract that benefits, directly or indirectly, the transferor, a member of the transferor's family, or any other person designated by the transferor (other than an organization described in section 170(c)).

Line 7g. Form 8899, Notice of Income From Donated Intellectual Property, must be filed by certain organizations that received a charitable gift of qualified intellectual property that produces net income. The organization should check "Yes" if it provided all required Forms 8899 for the year for net income produced by donated qualified intellectual property. *Qualified intellectual property* is any patent, copyright (other than certain self-created copyrights), trademark, trade name, trade secret, know-how, software (other than certain "canned" or "off-the-shelf" software or self-created software), or similar property, or applications or registrations of such property. If the organization didn't receive a contribution of qualified intellectual property, leave line 7g blank.

Line 7h. A donor of (1) a motor vehicle for use on public roads, (2) a boat, or (3) an airplane can't claim a charitable **contribution** deduction in excess of $500 unless the donee organization provides the donor with a Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, for the donation (or a written acknowledgment with the same information). See the Instructions for Form 1098-C for more information. If the organization didn't receive a contribution of a car, boat, airplane, or other vehicle, leave line 7h blank.

Line 8. A **sponsoring organization** of a **donor advised fund** must answer "Yes" if any one of its donor advised funds had excess business holdings at any time during the organization's **tax year**. All other organizations should leave this line blank and go to line 9. If "Yes," see the instructions for Schedule C of Form 4720 to determine whether the organization is subject to the excess business holdings tax under section 4943 and is required to file Form 4720.

For purposes of the excise tax on excess business holdings under section 4943, a donor advised fund is treated as a **private foundation**.

Line 9. Line 9 is required to be completed by **sponsoring organizations** maintaining a **donor advised fund**. All other organizations can leave this line blank and go to line 10.

Line 9a. Answer "Yes" if the organization made any taxable distributions under section 4966 during the organization's **tax year**. If "Yes," complete and file Form 4720, Schedule K, to calculate and pay the tax.

Under section 4966, a taxable distribution includes a distribution from a **donor advised fund** to an individual. A taxable distribution also includes a distribution from a donor advised fund to an estate, partnership, association, company, or corporation unless:

- The distribution is for a charitable purpose (for example, a purpose described in section 170(c)(2)(B)), and
- The organization exercises expenditure responsibility for the distribution.

The above doesn't apply to distributions to any organization described in section 170(b)(1)(A) (other than a disqualified **supporting organization**, defined in section 4966(d)(4)), to the sponsoring organization of such donor advised fund, or to any other donor advised fund.

Line 9b. Answer "Yes" if the organization made a distribution from a **donor advised fund** to a donor, **donor advisor**, or related person during the organization's **tax year**. For purposes of this question, a *related person* is any **family member** of the donor or donor advisor and any **35% controlled entity** (as defined in section 4958(f)) of the donor or donor advisor. If "Yes," complete and file Form 4720, Schedule L (Form 990).

If an organization makes a distribution from a donor advised fund resulting from the advice of a donor, donor advisor, family member, or 35% controlled entity of any of these persons, which distribution directly or indirectly provides a more than incidental benefit to one of such persons, section 4967 imposes a tax on (1) the person upon whose advice the distribution was made, (2) the beneficiary of the distribution, and (3) the fund manager for knowingly agreeing to make the distribution. The persons liable for the section 4967 tax must file Form 4720 to pay the tax. No section 4967 tax will be imposed on a distribution if a tax has been imposed for the distribution under section 4958.

If an organization makes a distribution from a donor advised fund to a donor, donor advisor, family member, or 35% controlled entity of these persons, then the transaction might be a section 4958 transaction. Such transactions include any grant, loan, compensation, or other similar payment to these persons, as well as any other payment resulting in excess benefit.

Line 10. Answer lines 10a and 10b only if the organization is exempt under section 501(c)(7).

A section 501(c)(7) organization isn't exempt from income tax if any written policy statement, including the governing instrument and bylaws, allows discrimination on the basis of race, color, or religion.

However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if the social club:

1. Is an auxiliary of a fraternal beneficiary society exempt under section 501(c)(8); and

2. Limits its membership to the members of a particular religion, or the membership limitation is:

a. A good-faith attempt to further the teachings or principles of that religion, and

b. Not intended to exclude individuals of a particular race or color.

Line 10a. Enter the amount of initiation fees, capital contributions, and unusual amounts of income included in Part VIII. *Statement of Revenue*, line 12, *Total revenue*, but not

included in the definition of **gross receipts** for section 501(c)(7) exemption purposes as discussed in *Appendix C*. However, if the organization is a college fraternity or sorority that charges membership initiation fees but not annual dues, don't include such initiation fees.

Line 10b. Enter the amount of **gross receipts** included in Part VIII. *Statement of Revenue*, line 12, *Total Revenue*, derived from the general public for use of the organization's facilities, that is, from persons other than members or their spouses, dependents, or guests.

Include the amount entered on line 10b of Form 990 on the club's Form 990-T if required to be filed. Investment income earned by a section 501(c)(7) organization isn't tax-exempt income unless set aside for the following purposes: religious, charitable, scientific, literary, educational, or prevention of cruelty to children or animals.

If the combined amount of an organization's gross investment income, and other gross income from unrelated trades or businesses, is $1,000 or more for the tax year, the organization must report the investment income, and other unrelated business income, on Form 990-T.

Line 11. Answer lines 11a and 11b only if the organization is exempt under section 501(c)(12).

One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85% of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term “gross income” means **gross receipts** without reduction for any cost of goods sold.

Member income for purposes of this 85% Member Income Test is income derived directly from the members to pay for services that form the basis for tax exemption under section 501(c)(12), and includes payments for purchases of water, electricity, and telephone service. Member income doesn't include interest income, gains from asset or security sales, or dividends from another cooperative (unless that cooperative is also a member).

Members are those individuals or entities that have the right to elect the governing board of the organization, are involved in the operations of the organization, and receive a share of its excess operating revenues.

When calculating the member income percentage to determine whether an organization meets the 85% Member Income Test, the organization may exclude specific sources of income from both the numerator and the denominator of the fraction. For example, if an organization is a corporation and it receives an amount that qualifies as a contribution to capital under section 118, then that amount isn't included in either the numerator or the denominator because it isn't considered to be income for tax purposes. However, the payment must meet the following conditions (see Rev. Rul. 93-16, 1993-1 C.B. 26) to qualify as a contribution to capital.

- It must become a permanent part of the organization’s working capital.
- It must not be compensation for specific quantifiable services.
- It must be bargained for.
- It must benefit the organization commensurately with its value.
- It must ordinarily be used in or contribute to the production of additional income.

Gross income for mutual or cooperative electric companies is figured by excluding any income received or accrued from the following.

1. Qualified pole rentals.
2. Any provision or sale of electric energy transmission services or ancillary services if the services are provided on a nondiscriminatory, open-access basis under an open-access transmission tariff; approved or accepted by the Federal Energy Regulatory Commission (FERC) or under an independent transmission provider agreement approved or accepted by FERC (other than income received or accrued directly or indirectly from a member).
3. The provision or sale of electric energy distribution services or ancillary services, if the services are provided on a nondiscriminatory, open-access basis to distribute electric energy not owned by the mutual or electric cooperative company:

   a. To end-users who are served by distribution facilities not owned by the company or any of its members (other than income received or accrued directly or indirectly from a member), or

   b. Generated by a generation facility not owned or leased by the company or any of its members and which is directly connected to distribution facilities owned by such company or any of its members (other than income received or accrued directly or indirectly from a member).
4. From any nuclear decommissioning transaction.
5. From any asset exchange or conversion transaction.

For a mutual or cooperative telephone company, *gross income* doesn't include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, from qualified pole rentals, from the sale of display listings in a directory furnished to the telephone company's members, or from prepayment of a loan under section 306A, section 306B, or section 311 of the Rural Electrification Act of 1936 (as in effect on January 1, 1987).

If the calculated member income percentage for a section 501(c)(12) organization is less than 85% for the tax year, then the organization fails to qualify for tax-exempt status for that year, and it must file Form 1120, U.S. Corporation Income Tax Return, in lieu of Form 990 or 990-EZ for the year. However, failing the 85% Member Income Test in one year doesn't cause permanent loss of tax-exempt status under section 501(c)(12). So long as the organization's member income percentage is equal to or greater than 85% in any subsequent tax year, the organization may file Form 990 or 990-EZ for that year, even if Form 1120 was filed in a prior year.

Line 12. All organizations that aren't section 4947(a)(1) trusts are to leave line 12 blank.

If a section 4947(a)(1) **nonexempt charitable trust** has no taxable income under subtitle A, its filing of Form 990 can be used to meet its income tax return filing requirement under section 6012. Such a trust must, if it answers “Yes” on line 12a, report its tax-exempt interest received or accrued (if reporting under the accrual method) during the **tax year** on line 12b.

Section 4947(a)(1) trusts must complete all sections of the Form 990 and schedules that section 501(c)(3) organizations must complete. All references to a section 501(c)(3) organization on the Form 990, schedules, and instructions shall include a section 4947(a)(1) trust (for instance, such a trust must complete Schedule A (Form 990), unless expressly excepted).

Line 13. Answer lines 13a, 13b, and 13c only if the organization has received a loan or grant under the Department of Health and Human Services CO-OP program.

Line 13a. If the organization is licensed to issue qualified health plans in more than one state, check “Yes.” If the organization is licensed to issue qualified health plans in only one state, check “No.” In either case, report on Schedule O (Form 990) each state in which the organization is licensed to issue qualified health plans, the dollar amount of reserves each state requires the organization to maintain, and the dollar

amount of reserves the organization maintains and reports to each state.

Line 13b. Report the highest dollar amount of reserves the organization is required to maintain by any of the states in which the organization is licensed to issue qualified health plans.

Line 13c. Report the highest dollar amount of reserves the organization maintains on hand and reports to a state in which the organization is licensed to issue qualified health plans.

Line 14a. Answer "Yes" on line 14a if the organization received any payments during the year for indoor tanning services. "Indoor tanning services" are services employing any electronic product designed to incorporate one or more ultraviolet lamps and intended for the irradiation of an individual by ultraviolet radiation, with wavelengths in air between 200 and 400 nanometers, to induce skin tanning.

Line 14b. If an organization received a payment for services for indoor tanning services during the year, it must collect from the recipient of the services a tax equal to 10% of the amount paid for such service, whether paid by insurance or otherwise, and remit such tax quarterly to the IRS by filing Form 720, Quarterly Federal Excise Tax Return. If the organization filed Form 720 during the year, it should check "Yes" on line 14b. If it answers "No" on line 14b, it should explain on Schedule O (Form 990) why it didn't file Form 720.

Line 15. See the instructions for Form 4720, Schedule N, to determine if you paid to any covered employee more than $1 million in remuneration or paid an excess parachute payment during the year. Remuneration paid to a covered employee includes any remuneration paid by a related organization.

Line 16. Line 16 applies to private colleges and universities subject to the excise tax on net investment income under section 4968. All other organizations, including state colleges and universities described in the first sentence of section 511(a)(2)(B), are not subject to this tax, and therefore check the "No" box on line 16, and go to Part VI. A private college or university will be subject to the excise tax on net investment income under section 4968 only if four threshold tests are met.

1. The organization must be an eligible educational institution as defined in section 25A(f)(2). Section 25A(f)(2) defines "eligible educational institution" as an institution that is described in section 481 of the Higher Education Act of 1965 (20 USC 1088), as in effect on August 5, 1997, and is eligible to participate in a program under title IV of such Act (20 USCS sections 1070 et seq.).

2. The organization must have had at least 500 tuition-paying students, based upon a daily average student count, during the preceding tax year.

3. More than 50% of those students must have been located in the United States.

4. The aggregate **FMV**, at the end of the preceding tax year, of the assets not used directly in carrying out the organization's exempt purpose, held by the organization and related organizations, must be at least $500,000 per student.

Use the worksheet below to determine whether the organization meets the last three threshold tests above. Save this worksheet with the organization's records.

Threshold Tests for Section 4968

1. Enter the daily average number of FTE tuition-paying students in all locations. If fewer than 500, check "No" on line 16. If 500 or more, go to line 2.		
2. Enter the daily average number of FTE tuition-paying students in the United States.		
3. Divide line 2 by line 1. If 50% or less, check "No" on line 16. If greater than 50%, go to line 4.		0
4. Enter the **FMV**of assets held by the organization but not used directly in carrying out the organization's exempt purpose.	$	
5. Enter the **FMV** of assets held by one or more related organizations.	$	
6. Total. Add lines 4 and 5.		$ 0
7. Divide line 6 by the daily average number of FTE students. If less than $500,000, check "No" on line 16. If $500,000 or more, check "Yes" on line 16.		$

Worksheet line 1. To calculate the number of tuition-paying students during the preceding tax year (including for purposes of determining the number of students at a particular location), enter the daily average number of full-time equivalent (FTE) tuition-paying students attending the institution, taking part-time tuition-paying students into account on a full-time student equivalent basis.

If worksheet line 1 is fewer than 500, the organization is not subject to the section 4968 excise tax on net investment income. The organization should answer "No" on line 16. If worksheet line 1 is 500 or more, continue to line 2.

Worksheet line 2. Enter the number of FTE tuition-paying students included on line 1 who were located in the United States during the preceding tax year and enter it on line 2.

Worksheet line 3. Divide line 2 by line 1. If 50% or less, the organization is not subject to the section 4968 excise tax and the organization should answer "No" on line 16. If greater than 50%, continue to line 4.

Worksheet line 4. Calculate the **FMV** of the organization's assets not used directly in carrying out the organization's exempt purpose as of the end of the preceding tax year. To determine which assets are used directly in carrying out the organization's exempt purpose, under these instructions, follow the principles of section 4942(e)(1)(A) and Regulations section 53.4942(a)-2(c)(3). To determine the FMV of the assets, use any reasonable method as long as such method is consistently used. Under these instructions, the principles of Regulations section 53.4942(a)-2(c)(4) will be considered to provide a reasonable method.

Assets held for the production of income or for investment aren't considered to be used directly for charitable functions even though the income from the assets is used for charitable functions. It is a factual question whether an asset is held for the production of income or for investment rather than used directly by the organization for charitable purposes. For example, an office building used to provide offices for employees engaged in managing endowment funds for the organization isn't considered an asset used for charitable purposes.

Worksheet line 5. Calculate the **FMV**of the assets of related organizations (as defined below) using the FMV of assets as of the end of the preceding tax year that ends with or within the preceding tax year of the organization.

Section 4968 defines "related organization" to include only:

- Organizations that control or are controlled by the educational institution,

Instructions now refer to "other person" rather than "mine operator".

persons who control the educational institution,

- Supported organizations (as defined in section 509(f)(3)), and
- Supporting organizations described in section 509(a)(3) that support the educational institution during the tax year.

When calculating the **FMV**of such assets of a related organization, **exclude** (1) assets of any related organization to the extent that such assets are taken into account with respect to another educational institution; and (2) unless the related organization is controlled by the educational institution, or unless the related organization is a supporting organization of the educational institution, omit assets that are not intended, or are not available, for the use or benefit of the educational institution.

Worksheet line 6. Add lines 4 and 5.

Worksheet line 7. Divide line 6 by the daily average number of FTE students.

If line 7 is less than $500,000, the organization is not subject to the section 4968 excise tax on net investment income and the organization should answer "No" on line 16. If line 7 is $500,000 or more, the organization is subject to the section 4968 excise tax on net investment income and the organization should answer "Yes" on line 16.

Line 17. Did the trust, or any disqualified or other person engage in any activities that would result in the imposition of an excise tax under section 4951, 4952, or 4953? See the Instructions for Form 6069. If "Yes," complete Form 6069.

Part VI. Governance, Management, and Disclosure

Check the box in the heading of Part VI if Schedule O (Form 990) contains any information pertaining to this part. All organizations must complete Part VI. Use Schedule O (Form 990) to provide required supplemental information as described in this part, and to provide any additional information that the organization considers relevant to this part.

Part VI requests information regarding an organization's **governing body** and management, governance policies, and disclosure practices. Although federal tax law generally doesn't mandate particular management structures, operational policies, or administrative practices, every organization is required to answer each question in Part VI. For example, all organizations must answer lines 11a and 11b, which ask about the organization's process, if any, it uses to review Form 990, even though the governing body isn't required by federal tax law to review Form 990.

Even though the information on policies and procedures requested in Section B generally isn't required under the Code, the IRS considers such policies and procedures to generally improve tax compliance. The absence of appropriate policies and procedures can lead to opportunities for **excess benefit transactions**, inurement, operation for nonexempt purposes, or other activities inconsistent with exempt status. Whether a particular policy, procedure, or practice should be adopted by an organization depends on the organization's size, type, and culture. Accordingly, it is important that each organization consider the governance policies and practices that are most appropriate for that organization in assuring sound operations and compliance with tax law. For more governance information relating to charities, go to *IRS.gov/Charities* and click on *Lifecycle of an Exempt Organization.*

Section A. Governing Body and Management

Line 1a. The **governing body** is the group of one or more persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of **directors** (sometimes referred to as "board of **trustees**") of a corporation or association, or the trustee or trustees of a trust (sometimes referred to as the "board of **trustees**").

Enter the number, as of the end of the organization's tax year, of **members of the governing body** of the organization with power to vote on all matters that come before the governing body (other than when a conflict of interest disqualifies the member from voting). If members of the governing body don't all have the same voting rights, explain material differences on Schedule O (Form 990).

If the organization's governing body or governing documents delegated authority to act on its behalf to an executive committee or similar committee with broad authority to act on behalf of the governing body, and the committee held such authority at any time during the organization's **tax year**, describe on Schedule O (Form 990) the composition of the committee, whether any of the committee's members aren't on the governing body, and the scope of the committee's authority. The organization need not describe on Schedule O (Form 990) delegations of authority that are limited in scope to particular areas or matters, such as delegations to an audit committee, investment committee, or compensation committee of the governing body.

Example. A voluntary employees' beneficiary association (VEBA) is a trust under state law. Bank B is the sole trustee of the trust. In completing line 1a, the VEBA will report one voting member of the governing body.

Line 1b. Enter the number of **independent voting members of the governing body** as of the end of the organization's tax year. A member of the governing body is considered "independent" only if all four of the following circumstances applied at all times during the organization's tax year.

1. The member wasn't compensated as an **officer** or other employee of the organization or of a **related organization** (see the Instructions for Schedule R (Form 990)) except as provided in the religious exception discussed below. Nor was the member compensated by an unrelated organization or individual for services provided to the filing organization or to a related organization, if such compensation is required to be reported in Part VII, Section A.

2. The member didn't receive total **compensation** exceeding $10,000 during the organization's tax year (including a short year, regardless of whether such compensation is reported in Part VII) from the organization and related organizations as an **independent contractor**, other than **reasonable compensation** for services provided in the capacity as a member of the governing body. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a director of the organization doesn't cease to be independent merely because she or he also receives payments of $7,500 from the organization for other arrangements.

3. Neither the member, nor any **family member** of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) that is required to be reported on Schedule L (Form 990) for the organization's tax year.

4. Neither the member, nor any family member of the member, was involved in a transaction with a taxable or tax-exempt related organization (whether directly or indirectly through affiliation with another organization) of a type and amount that would be reportable on Schedule L (Form 990) if required to be filed by the related organization.

Note. The independence standard for purposes of Part VI isn't the same as the "absence of conflict of interest" standard for

purposes of the rebuttable presumption under Regulations section 53.4958-6, which focuses on conflicts with respect to a particular transaction.

A member of the governing body isn't considered to lack independence merely because of the following circumstances.

1. The member is a donor to the organization, regardless of the amount of the contribution.

2. Religious exception: The member has taken a bona fide vow of poverty and either (a) receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member doesn't receive taxable income (see Rev. Rul. 77-290, 1977-2 C.B. 26; and Rev. Rul. 80-332, 1980-2 C.B. 34); or (b) belongs to a religious order that receives sponsorship or payments from the organization or a related organization that don't constitute taxable income to the member.

3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

Example 1. B is a voting member of the organization's board of directors. B is also a partner with a profits and capital interest greater than 35% in a law firm, C, that charged $120,000 to the organization for legal services in a court case. The transaction between C and the organization must be reported on Schedule L (Form 990) because it is a transaction between the organization and an entity of which B is a more-than-35% owner, and because the payment to C from the organization exceeded $100,000 (see the instructions for Schedule L (Form 990), Part IV, regarding both factors). Accordingly, B isn't an independent member of the governing body because the $120,000 payment must be reported on Schedule L (Form 990) as an indirect business transaction with B. If B were an associate attorney (an employee) rather than a partner with a greater-than-35% interest, and not an officer, director, trustee, or owner of the law firm, the transaction wouldn't affect B's status as an independent member of the organization's governing body.

Example 2. D is a voting member of both the organization's governing body and the governing body of C, a related organization. D's child, E, received $40,000 in taxable compensation as a part-time employee of C. D isn't an independent member of the governing body, because E received compensation from C, a related organization to D, and the compensation was of a type (compensation to a family member of a member of C's governing body) and amount (over $10,000) that would be reportable on Schedule L (Form 990) if the related organization, C, were required to file Schedule L (Form 990).

Example 3. C was Board Chair of X school during the tax year. X's bylaws designate the following as officer positions: Board Chair, Secretary, and Treasurer. C set the agenda for board of directors meetings, officiated board meetings, coordinated development of board policy and procedure, was an ex-officio member of all committees of the board, conducted weekly staff meetings, and performed teacher and staff evaluations. X compensated C during the tax year for C's services. This compensation was attributable to C's board and committee activities, and to C's non-director activities involving staff meetings and evaluations. Because X compensated C for services as an officer/employee, C isn't an independent member of the governing body. See Rev. Rul. 68-597 and Rev. Rul. 57-246 for a description of the distinction between director services and officer services.

Example 4. The facts are the same as in *Example 3*, except that the Board Chair position wasn't designated as an officer position under X's bylaws, board resolutions, or state law. Nevertheless, because X compensated C for non-director activities involving staff meetings and evaluations during the tax year, C is deemed to have received compensation as an employee—not as a governing body member—for those activities. Therefore, C isn't an independent member of the governing body.

Example 5. The facts are the same as in *Example 3*, except that (1) C conducted only director and committee activities during the tax year; (2) C didn't conduct staff meetings and evaluations; and (3) X compensated C a reasonable amount for C's Board Chair services during the tax year, but didn't provide any other compensation to C in any other capacity. C's independence as a Board member isn't compromised by receiving compensation from X as a Board member (and not as an officer or employee).

Also see *Examples 2* and *3* in the instructions for Part VII, Section A, line 5, later.

Reasonable effort. The organization need not engage in more than a **reasonable effort** to obtain the necessary information to determine the number of **independent voting members of its governing body** and can rely on information provided by such members. For instance, the organization can rely on information it obtains in response to a questionnaire sent annually to each member of the governing body that includes the member's name and title, blank lines for the member's signature and signature date, and the pertinent instructions and definitions for line 1b, to determine whether the member is or isn't independent.

Line 2. Answer “Yes” if any of the organization's current **officers**, **directors**, **trustees**, or **key employees**, as reported in Part VII, Section A, had a **family relationship** or business relationship with another of the organization's current officers, directors, trustees, or key employees, as reported in Part VII, Section A, at any time during the organization's **tax year**. For each family and business relationship, identify the persons and describe their relationship on Schedule O (Form 990). It is sufficient to enter “family relationship” or “business relationship” without greater detail.

Business relationship. Business relationships between two persons include any of the following.

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a **trustee**, **director**, **officer**, or greater-than-35% owner, even if that organization is tax exempt. However, don't report a person’s employment by the filing organization as a business relationship.

2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of $10,000 in the aggregate during the organization's tax year. *Indirect transactions* are transactions with an organization with which the one person is associated as a trustee, director, officer, or greater-than-35% owner. Such transactions don't include charitable contributions to tax-exempt organizations.

3. The two persons are each a director, trustee, officer, or greater-than-10% owner in the same business or investment entity (but not in the same tax-exempt organization).

Ownership is measured by stock ownership (either voting power or value, whichever is greater) of a corporation, profits or capital interest in a partnership or an LLC(whichever is greater), membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity

in question); there may be ownership through multiple tiers of entities.

Privileged relationship exception. For purposes of line 2, a "business relationship" doesn't include a relationship between an attorney and client, a medical professional (including psychologist) and patient, or a priest/clergy and penitent/communicant.

Example 1. B is an officer of the organization, and C is a member of the organization's governing body. B is C's sister's spouse. The organization must report that B and C have a family relationship.

Example 2. D and E are officers of the organization. D is also a partner in an accounting firm with 300 partners (with a 1/300 interest in the firm's profits and capital) but isn't an officer, director, or trustee of the accounting firm. D's accounting firm provides services to E in the ordinary course of the accounting firm's business, on terms generally offered to the public, and receives $100,000 in fees during the year. The relationship between D and E isn't a reportable business relationship, either because (1) it is in the ordinary course of business on terms generally offered to the public, or (2) D doesn't hold a greater-than-35% interest in the accounting firm's profits or capital.

Example 3. F and G are trustees of the organization. F is the owner and CEO of an automobile dealership. G purchased a $45,000 car from the dealership during the organization's tax year in the ordinary course of the dealership's business, on terms generally offered to the public. The relationship between F and G isn't a reportable business relationship because the transaction was in the ordinary course of business on terms generally offered to the public.

Example 4. H and J are members of the organization's board of directors. Both are CEOs of publicly traded corporations and serve on each other's boards. The relationship between H and J is a reportable business relationship because each is a director or officer in the same business entity.

Example 5. K is an officer of the organization, and L is on its board of directors. L is a greater-than-35% partner of a law firm that charged $60,000 during the organization's tax year for legal services provided to K that were worth $600,000 at the law firm's ordinary rates. Thus, the ordinary course of business exception doesn't apply. However, the relationship between K and L isn't a reportable business relationship because of the privileged relationship of attorney and client.

Reasonable effort. The organization isn't required to provide information about a family or business relationship between two **officers**, **directors**, **trustees**, or **key employees** if it is unable to secure the information after making a **reasonable effort** to obtain it. An example of a reasonable effort would be for the organization to distribute a questionnaire annually to each such person that includes the name and title of each person reporting information, blank lines for those persons' signatures and signature dates, and the pertinent instructions and definitions for line 2.

Line 3. Answer "Yes" if, at any time during the organization's tax year, the organization used a management company or other person (other than persons acting in their capacities as **officers, directors, trustees,** or **key employees**) to perform any management duties customarily performed by or under the direct supervision of **officers**, **directors**, **trustees**, or **key employees**. Such management duties include, but aren't limited to, hiring, firing, and supervising personnel; planning or executing budgets or financial operations; or supervising exempt operations or unrelated trades or businesses of the organization. Management duties don't include administrative services (such as payroll processing) that don't involve significant managerial decision making. Management duties also don't include investment management unless the filing organization conducts investment management services for others.

If "Yes," on Schedule O (Form 990), list the name(s) of the management company or companies or other person(s) performing management duties; describe the services they provided to the organization; list any of the organization's current or former officers, directors, trustees, key employees, and **highest compensated employees** listed in Part VII, Section A, who were compensated by the management company or companies or other person(s) during the calendar year ending with or within the organization's tax year; and list the amounts of reportable and other compensation they received from the management company or companies or other person(s) for services provided to the filing organization and related organizations during that year.

Line 4. The organization must report significant changes to its organizing or enabling document by which it was created (articles of incorporation, association, or organization; trust instrument; constitution; or similar document), and to its rules governing its affairs commonly known as bylaws (or regulations, operating agreement, or similar document). Report significant changes that weren't reported on any prior Form 990, and that were made before the end of the **tax year**. Don't report changes to policies described or established outside of the organizing or enabling document and bylaws (or similar documents), such as adoption of, or change to, a policy adopted by resolution of the **governing body** that doesn't entail a change to the organizing document or bylaws.

Examples of significant changes to the organizing or enabling document or bylaws include changes to:

- The organization's exempt purposes or mission;
- The organization's name (also see the instructions for *Specific Instructions, Item B*, earlier);
- The number, composition, qualifications, authority, or duties of the governing body's voting members;
- The number, composition, qualifications, authority, or duties of the organization's **officers** or **key employees**;
- The role of the stockholders or membership in governance;
- The distribution of assets upon dissolution;
- The provisions to amend the organizing or enabling document or bylaws;
- The quorum, voting rights, or voting approval requirements of the governing body members or the organization's stockholders or membership;
- The policies or procedures contained within the organizing documents or bylaws regarding **compensation** of officers, directors, trustees, or key employees, conflicts of interest, whistleblowers, or document retention and destruction; and
- The composition or procedures contained within the organizing document or bylaws of an audit committee.

Example. Organization X has a written conflicts of interest policy that isn't contained within the organizing document or bylaws. The policy is changed by board resolution. The policy change doesn't need to be reported on line 4.

Examples of insignificant changes made to organizing or enabling documents or bylaws that aren't required to be reported here include changes to the organization's registered agent with the state and to the required or permitted number or frequency of governing body or member meetings.

Describe significant changes on Schedule O (Form 990), but don't attach a copy of the amendments or amended document to Form 990 (or recite the entire amended document verbatim), unless such amended documents reflect a change in the organization's name. See *Specific Instructions, Item B*, earlier, regarding attachments required in the event of a change in the organization's name.

TIP *An organization must report significant changes to its organizational documents on Form 990, Part VI, rather than in a letter to EO Determinations. EO Determinations no longer issues letters confirming the tax-exempt status of organizations that report significant changes to their organizational documents, though it will, on request, issue an affirmation letter confirming an organization's name change. The IRS will no longer require a new exemption application from a domestic section 501(c) organization that undergoes certain changes of form or place of organization described in Rev. Proc. 2018-15, 2018-9 I.R.B. 379.*

Line 5. Answer "Yes" if the organization became aware during the organization's **tax year** of a significant diversion of its assets, whether or not the diversion occurred during the year. If "Yes," explain the nature of the diversion, dollar amounts and/or other property involved, corrective actions taken to address the matter, and pertinent circumstances on Schedule O (Form 990), although the person or persons who diverted the assets shouldn't be identified by name.

A *diversion of assets* includes any unauthorized conversion or use of the organization's assets other than for the organization's authorized purposes, including but not limited to embezzlement or theft. Report diversions by the organization's **officers**, **directors**, **trustees**, **employees**, **volunteers**, **independent contractors**, grantees (diverting grant funds), or any other person, even if not associated with the organization other than by the diversion. A diversion of assets doesn't include an authorized transfer of assets for **FMV** consideration, such as to a **joint venture** or for-profit subsidiary in exchange for an interest in the joint venture or subsidiary. For this purpose, a diversion is considered significant if the gross value of all diversions (not taking into account restitution, insurance, or similar recoveries) discovered during the organization's tax year exceeds the lesser of (1) 5% of the organization's gross receipts for its tax year, (2) 5% of the organization's total assets as of the end of its tax year, or (3) $250,000.

Note. A diversion of assets can in some cases be inurement of the organization's net earnings. In the case of section 501(c)(3), 501(c)(4), and 501(c)(29) organizations, it can also be an **excess benefit transaction** taxable under section 4958 and reportable on Schedule L (Form 990).

Line 6. Answer "Yes" if the organization is organized as a stock corporation, a joint-stock company, a partnership, a **joint venture**, or an LLC. Also answer "Yes" if the organization is organized as a non-stock, nonprofit, or not-for-profit corporation or association with members. For purposes of Form 990, Part VI, *member* means (without regard to what a person, including a corporation or other legal entity, is called in the governing documents) any person who, pursuant to a provision of the organization's governing documents or applicable state law, has the right to participate in the organization's governance or to receive distributions of income or assets from the organization. Members don't include governing body members. For purposes of Part VI, a membership organization includes members with the following kinds of rights.

1. The members elect the members of the **governing body** (but not if the persons on the governing body are the organization's only members) or their delegates.

2. The members approve significant decisions of the governing body.

3. The members can receive a share of the organization's profits or excess dues or a share of the organization's net assets upon the organization's dissolution.

Describe on Schedule O (Form 990) the classes of members or stockholders with the rights described above.

Line 7a. Answer "Yes" on line 7a if at any time during the organization's tax year there were one or more persons (other than the organization's **governing body** itself, acting in such capacity) that had the right to elect or appoint one or more members of the organization's governing body, whether periodically, or as vacancies arise, or otherwise. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons and the nature of their rights.

Line 7b. Answer "Yes" on line 7b if at any time during the organization's tax year any governance decisions of the organization were reserved to (or subject to approval by) members, stockholders, or persons other than the **governing body**, whether or not any such governance decisions were made during the tax year, such as approval of the governing body's election or removal of members of the governing body, or approval of the governing body's decision to dissolve the organization. If "Yes," describe on Schedule O (Form 990) the class or classes of such persons, the decisions that require their approval, and the nature of their voting rights.

Line 8. Answer "Yes" on lines 8a and 8b if the organization contemporaneously documented by any means permitted by state law every meeting held and written action taken during the organization's tax year by its **governing body** and committees with authority to act on behalf of the governing body (which ordinarily don't include advisory boards). Documentation permitted by state law can include approved minutes, email, or similar writings that explain the action taken, when it was taken, and who made the decision. For this purpose, *contemporaneous* means by the later of (1) the next meeting of the governing body or committee (such as approving the minutes of the prior meeting), or (2) 60 days after the date of the meeting or written action. If the answer to either line 8a or 8b is "No," explain on Schedule O (Form 990) the organization's practices or policies, if any, regarding documentation of meetings and written actions of its governing body and committees with authority to act on its behalf. If the organization had no committees, answer "No" to line 8b.

Line 9. The IRS needs a current mailing address to contact the organization's **officers, directors, trustees,** or **key employees.** The organization can use its official mailing address stated on the first page of Form 990 as the mailing address for such persons. Otherwise, enter on Schedule O (Form 990) the mailing addresses for such persons who are to be contacted at a different address. Such information will be available to the public.

Section B. Policies

Answer "Yes" to any question in this section that asks whether the organization had a particular policy or practice only if the organization's governing body (or a committee of the governing body, if the governing body delegated authority to that committee to adopt the policy) adopted the policy by the end of its **tax year**, and if the policy applied to the organization as a whole. If the policy applied only on a division-wide or department-wide level, answer "No." The organization may explain the scope of such policy on Schedule O (Form 990).

Line 10a. Answer "Yes" if the organization had during its tax year any local chapters, local branches, local lodges, or other similar local units or affiliates over which the organization had the legal authority to exercise direct or indirect supervision and control (whether or not in a **group exemption**) and local units that aren't separate legal entities under state law over which the organization had such authority. An affiliate or unit is considered "local" for this purpose if it is responsible for a smaller geographical area than the filing organization is responsible for.

Thus, a regional organization would be considered local for a national organization.

Example 1. X is a national organization dedicated to the reform of K. X has affiliates in 15 states that conduct activities to carry out the purposes of X at the state level. X has the authority to approve the annual budget of each affiliate. X must answer "Yes" on line 10a.

Example 2. Y is a section 170(b)(1)(A)(iii) hospital located in M City. Y appoints a majority of the board of directors of Z, a section 509(a)(3) supporting organization that invests funds and makes grants for the benefit of Y. Although Y controls Z, Z isn't a local affiliate of Y that would require Y to answer "Yes" on line 10a.

Line 10b. Written policies and procedures governing the activities of local chapters, branches, and affiliates to ensure their operations are consistent with the organization's tax-exempt purposes are documents used by the organization and its local units to address the policies, practices, and activities of the local unit. Such policies and procedures can include policies and procedures similar to those described in lines 11–16 of this section, whether separate or included as required provisions in the chapter's articles of organization or bylaws, a manual provided to chapters, a constitution, or similar documents. If "No," explain on Schedule O (Form 990) how the organization ensures that the local unit's activities are consistent with the organization's tax-exempt purposes.

Note. The **central organization** (parent organization) named in a **group exemption** letter is required to have general supervision or control over its **subordinate organizations** as a condition of the group exemption.

Line 11a. Answer "Yes" only if a complete copy of the organization's final Form 990 (including all required schedules), as ultimately filed with the IRS, was provided to each person who was a **voting member of the governing body** at the time the Form 990 was provided, whether in paper or electronic form, before its filing with the IRS. The organization can answer "Yes" if it emailed all of its governing body members a link to a password-protected website on which the entire Form 990 can be viewed, and noted in the email that the Form 990 is available for review on that site. However, answer "No" if the organization merely informed its governing body members that a copy of the Form 990 is available upon request. Answer "No" if the organization redacted or removed any information from the copy of its final Form 990 that it provided to its governing body members before filing the form. For example, answer "No" if the organization, at the request of a donor, redacted the name and address of that donor from the copy of its Schedule B (Form 990), that it provided to its governing body members. Under those circumstances, the organization may explain on Schedule O (Form 990) why it answered "No" to line 11a.

Line 11b. Describe on Schedule O (Form 990) the process, if any, by which any of the organization's **officers, directors, trustees,** board committee members, or management reviewed the prepared Form 990, whether before or after it was filed with the IRS, including specifics about who conducted the review, when they conducted it, and the extent of any such review. If no review was or will be conducted, enter "No review was or will be conducted."

Example. The return preparer emails a copy of the final version of Form 990 to each Board member before it was filed. However, no Board member undertakes any review of the form either before or after filing. Because such a copy of the final version of the form was provided to each voting member of the organization's governing body before it was filed, the organization can answer "Yes" even though no review took place. The organization must describe its Form 990 review process (or lack thereof) on Schedule O (Form 990).

Line 12a. Answer "Yes" if, as of the end of the organization's tax year, the organization had a written **conflict of interest policy**. A conflict of interest policy defines conflicts of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that can help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest. A *conflict of interest* arises when a person in a position of authority over an organization, such as an **officer**, **director**, manager, or **key employee** can benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. For this purpose, a conflict of interest doesn't include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that don't involve a material financial interest of, or benefit to, such person.

Example. B is a member of the governing body of X Charity and of Y Charity, both of which are section 501(c)(3) public charities with different charitable purposes. X Charity has taken a public stand in opposition to a specific legislative proposal. At an upcoming board meeting, Y Charity will consider whether to publicly endorse the same specific legislative proposal. While B may have a conflict of interest in this decision, the conflict doesn't involve a material financial interest of B's merely as a result of Y Charity's position on the legislation.

Line 12b. Answer "Yes" if the organization's **officers**, **directors**, **trustees**, and **key employees** are required to disclose or update annually (or more frequently) information regarding their interests and those of their **family members** that could give rise to conflicts of interest, such as a list of family members, substantial business or investment holdings, and other transactions or affiliations with businesses and other organizations and those of family members.

Line 12c. If "Yes," describe on Schedule O (Form 990) the organization's practices for monitoring proposed or ongoing transactions for conflicts of interest and dealing with potential or actual conflicts, whether discovered before or after the transaction has occurred. The description should include an explanation of which persons are covered under the policy, the level at which determinations of whether a conflict exists are made, and the level at which actual conflicts are reviewed. Also explain any restrictions imposed on persons with a conflict, such as prohibiting them from participating in the **governing body**'s deliberations and decisions in the transaction.

Lines 13 and 14. A whistleblower policy encourages staff and volunteers to come forward with credible information on illegal practices or violations of adopted policies of the organization, specifies that the organization will protect the individual from retaliation, and identifies those staff or board members or outside parties to whom such information can be reported. A document retention and destruction policy identifies the record retention responsibilities of staff, **volunteers**, board members, and outsiders for maintaining and documenting the storage and destruction of the organization's documents and records.

Certain federal or state laws provide protection against whistleblower retaliation and prohibit destruction of certain documents. For instance, while the federal Sarbanes-Oxley legislation generally doesn't pertain to tax-exempt organizations, it does impose criminal liability on tax-exempt as well as other organizations for (1) retaliation against whistleblowers that report federal offenses, and (2) for destruction of records with the intent to obstruct a federal investigation. See 18 U.S.C. sections 1513(e) and 1519. Also

Note that this should refer to Part VII, not Part II.

note that an organization is required to keep books and records relevant to its tax exemption and its filings with the IRS. Some states provide additional protection for whistleblowers.

Line 15. Answer "Yes" on line 15a if, during the tax year, the organization (not a **related organization** or other third party) used a process for determining **compensation** (reported on Part II or Schedule J (Form 990), Compensation Information) of the CEO, executive director, or other person who is the **top management official**, that included all of the following elements.

- Review and approval by a **governing body** or compensation committee, provided that persons with a *conflict of interest* regarding the compensation arrangement at issue weren't involved. For purposes of this question, a member of the governing body or compensation committee has a *conflict of interest* regarding a compensation arrangement if any of the following circumstances apply.

1. The member (or a family member of the member) is participating in or economically benefitting from the compensation arrangement.

2. The member is in an employment relationship subject to the direction or control of any person participating in or economically benefitting from the compensation arrangement.

3. The member receives compensation or other payments subject to approval by any person participating in or economically benefitting from the compensation arrangement.

4. The member has a material financial interest affected by the compensation arrangement.

5. The member approves a transaction providing economic benefits to any person participating in the compensation arrangement, who in turn has approved or will approve a transaction providing economic benefits to the member. See Regulations section 53.4958-6(c)(1)(iii).

- Use of data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated organizations.
- Contemporaneous documentation and recordkeeping for deliberations and decisions regarding the compensation arrangement.

Answer "Yes" on line 15b if the process for determining compensation of one or more **officers** or **key employees** other than the **top management official** included all of the elements listed above.

If the answer was "Yes" on line 15a or 15b, describe the process on Schedule O (Form 990), identify the offices or positions for which the process was used to establish compensation of the persons who served in those offices or positions, and enter the year in which this process was last undertaken for each such person.

If the organization didn't compensate its CEO, executive director, or top management official during the **tax year**, answer "No" to line 15a. If the organization didn't compensate any of its other officers or key employees during the tax year, even if such employees were compensated by a related organization, answer "No" to line 15b.

Line 16. Answer "Yes" on line 16a if, at any time during its tax year, the organization invested in, contributed assets to, or otherwise participated in a joint venture or similar arrangement with one or more taxable persons. For purposes of line 16, a joint venture or similar arrangement (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to (1) whether the organization controls the venture or arrangement, (2) the legal structure of the venture or arrangement, or (3) whether the venture or arrangement is treated as a partnership for federal income tax purposes, or as an association, or corporation for federal income tax purposes. Disregard ventures or arrangements that meet both of the following conditions.

1. 95% or more of the venture's or arrangement's income for its tax year ending with or within the organization's **tax year** is described in section 512(b)(1)–(5) (including unrelated debt-financed income).

2. The primary purpose of the organization's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

Answer "Yes" on line 16b if, as of the end of the organization's tax year, the organization had both:

1. Followed a written policy or procedure that required the organization to negotiate, in its transactions and arrangements with other members of the venture or arrangement, such terms and safeguards as are adequate to ensure that the organization's exempt status is protected; and

2. Taken steps to safeguard the organization's exempt status for the venture or arrangement.

Some examples of safeguards include the following.

- Control over the venture or arrangement sufficient to ensure that the venture furthers the exempt purpose of the organization.
- Requirements that the venture or arrangement give priority to exempt purposes over maximizing profits for the other participants.
- The venture or arrangement not engage in activities that would jeopardize the organization's exemption (such as political intervention or substantial lobbying for a section 501(c)(3) organization).
- All contracts entered into with the organization be on terms that are at arm's length or more favorable to the organization.

Section C. Disclosure

Line 17. List the states with which a copy of this Form 990 is required to be filed, even if the organization hasn't yet filed Form 990 with that state. Use Schedule O (Form 990) if additional space is necessary.

TIP *Some states require or permit the filing of Form 990 to fulfill state exempt organization or charitable solicitation reporting requirements.*

Line 18. Check the box for "Own website" only if the organization posted an exact reproduction (other than for information permitted by law to be withheld from public disclosure, such as the names and addresses of contributors listed on Schedule B (Form 990)) of its Form 990, Form 990-T (for section 501(c)(3) organizations), or application for recognition of exemption (Form 1023, 1023-EZ, 1024, or 1024-A) on its website during its **tax year**. Check the box for "Another's website" only if the organization provided to another individual or organization and that other individual or organization posted on its website, an exact reproduction (other than for information permitted by law to be withheld from public disclosure, such as the names and addresses of contributors listed on Schedule B (Form 990)) of any such forms during the tax year.

If "Other" is checked, explain on Schedule O (Form 990). Also explain on Schedule O (Form 990) if the organization didn't make publicly available upon request any of Forms 1023, 1023-EZ, 1024, 1024-A, 990, or 990-T that are subject to public inspection requirements. Exempt organizations must make available for public inspection their Form 1023, 1023-EZ, 1024, or 1024-A application for recognition of exemption. Applications filed before July 15, 1987, need not be made publicly available unless the organization had a copy on July 15, 1987.

Organizations that file Form 990 must make it publicly available for a period of 3 years from the date it is required to be filed (including extensions) or, if later, is actually filed. Organizations aren't required to make publicly available the names and addresses of contributors (as set forth on Schedule B (Form 990), and on Form 1023, 1023-EZ, 1024, or 1024-A). Section 501(c)(3) organizations that file Form 990-T are also required to make their Forms 990-T publicly available for the corresponding 3-year period for forms filed after August 17, 2006 (unless the form was filed solely to request a refund of telephone excise taxes). See *Appendix D* for more information on public inspection requirements.

Line 19. Explain on Schedule O (Form 990) whether the organization made its governing documents (for example, articles of incorporation, constitution, bylaws, trust instrument), **conflict of interest policy**, and **financial statements** (whether or not audited) available to the general public during the tax year, and if so, how it made them available to the public (for example, posting on the organization's website, posting on another website, providing copies on request, inspection at an office of the organization, etc.). If the organization didn't make any of these documents available to the public, enter “No documents available to the public.”

Federal tax law doesn't require that such documents be made publicly available unless they were included on a form that is publicly available (such as Form 1023, 1023-EZ, 1024, or 1024-A).

Line 20. Provide the name of the person who possesses the organization's books and records, and the business address and telephone number of such person (or of the organization if the books and records are kept by such person at a personal residence). If the books and records are kept at more than one location, provide the name, business address, and telephone number of the person responsible for coordinating the maintenance of the books and records. The organization isn't required to provide the address or telephone number of a personal residence of an individual. If provided, however, such information will be available to the public.

Part VII. Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check the box in the heading of Part VII if Schedule O (Form 990) contains any information pertaining to this part.

Overview. Form 990, Part VII, requires the listing of the organization's current or former **officers**, **directors**, **trustees**, **key employees**, and **highest compensated employees**, and current **independent contractors**, and reporting of certain **compensation** information relating to such persons.

All organizations are required to complete Part VII, and when applicable, Schedule J (Form 990), for certain persons. Compensation must be reported for the calendar year ending with or within the organization's **tax year**. In some cases, persons are reported in Part VII or Schedule J (Form 990) only if their **reportable compensation** (as explained below) and “other compensation” (as explained below) from the organization and **related organizations** (as explained in the *Glossary* and in the Instructions for Schedule R (Form 990)) exceeds certain thresholds. In some cases, compensation from an **unrelated organization** must be reported on Form 990. See the instructions for Part VII, Section A, line 5, later. The amount of compensation reported on Form 990, Part VII, for a listed person may differ from the amount reported on Form 990, Part IX, line 5, for that person due to factors such as a different accounting period (calendar vs. **fiscal year**) or a different accounting method.

Form 990, Part VII, relies on definitions of reportable compensation and other compensation. *Reportable compensation* generally refers to compensation reported in box 1 or 5 (whichever amount is greater) of Form W-2, Wage and Tax Statement; box 1 of Form 1099-NEC; and box 6 of Form 1099-MISC. Organizations must also report other compensation in Part VII, as discussed in the instructions for Part VII, Section A, column (F), later.

Organizations must report compensation for both current and former officers, directors, trustees, key employees, and highest compensated employees. The distinction between current and former such persons is discussed below. The determination of “former” uses a 5-year lookback period.

Organizations must report compensation from themselves and from related organizations, which generally consist of parents, subsidiaries, brother/sister organizations, supporting organizations, supported organizations, sponsoring organizations of VEBAs, and contributing employers to VEBAs. See the Instructions for Schedule R (Form 990) for a fuller discussion of related organizations.

Part VII, Section A, requires reporting of officers, directors, trustees, key employees, and up to five of the organization's highest compensated employees. Compensation from related organizations must also be taken into account in determining a person's compensation and reported in Part VII, Section A, columns (E) and (F).

Section B requires reporting of the five highest compensated independent contractors. Section B doesn't require reporting of compensation from related organizations.

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

Overview. Organizations are required to enter in Part VII, Section A, the following **officers**, **directors**, **trustees**, and **employees** of the organization whose **reportable compensation** from the organization and **related organizations** (as explained in the *Glossary* and the Instructions for Schedule R (Form 990)) exceeded the following thresholds for the tax year.

- Current officers, directors, and trustees (no minimum compensation threshold).
- Current **key employees** (over $150,000 of reportable compensation).
- Current five highest compensated employees other than officers, directors, trustees, or listed key employees (over $100,000 of reportable compensation).
- Former officers, key employees, and **highest compensated employees** (over $100,000 of reportable compensation, with special rules for former highest compensated employees).
- Former directors and trustees (over $10,000 of reportable compensation in the capacity as a former director or trustee).

Special rules apply to **disregarded entities** of which the organization is the sole member. See *Disregarded Entities*, later.

To determine which persons are current or former officers, directors, trustees, key employees, or highest compensated employees, see the instructions for Part VII, Section A, column (C), later.

Order of reporting. List the persons required to be included in Part VII, Section A, in order from highest to lowest compensation based on the sum of columns (D), (E), and (F) for each person. When the amount of total compensation is the same, list the persons in the following order: individual trustees or directors,

institutional trustees, officers, key employees, highest compensated employees, and former such persons.

Fiscal year filers. To determine which persons are listed in Part VII, Section A, the organization must use the calendar year ending with or within the organization's **fiscal year** for some (those whose **compensation** must exceed minimum thresholds in order to be reported) and the fiscal year for others. Report officers, directors, and trustees that served at any time during the fiscal year as "current" **officers**, **directors**, and **trustees**. Report the following persons based on **reportable compensation** and status for the calendar year ending within the fiscal year.

- Current **key employees** (over $150,000 of **reportable compensation** from the organization and **related organizations**).
- Current five **highest compensated employees** (over $100,000 of reportable compensation from the organization and related organizations), other than current officers, directors, trustees, and key employees.
- Former officers, key employees, and five highest compensated employees (over $100,000 of reportable compensation from the organization and related organizations, with special rules for former highest compensated employees).
- Former directors and trustees (over $10,000 of reportable compensation for services in the capacity as director or trustee of the organization, from the organization and related organizations).

Report compensation on Form 990, Part VII, for the calendar year ending within the organization's **fiscal year**, including that of current officers, directors, and trustees, even if the fiscal year is used to determine which such persons must be listed in Part VII.

Director or trustee. A director or trustee is a member of the organization's **governing body**, but only if the member has voting rights. A director or trustee that served at any time during the organization's **tax year** is deemed a current director or trustee. Members of advisory boards that don't exercise any governance authority over the organization aren't considered directors or trustees.

An "institutional trustee" is a trustee that isn't an individual or natural person but an organization. For instance, a bank or trust company serving as the trustee of a trust is an institutional trustee.

Officer. An **officer** is a person elected or appointed to manage the organization's daily operations. An officer that served at any time during the organization's **tax year** is deemed a current officer. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its **governing body**, or as otherwise designated consistent with state law, but, at a minimum, include those officers required by applicable state law. Officers can include a president, vice president, secretary, treasurer, and, in some cases, a Board Chair. In addition, for purposes of Form 990, including Part VII, Section A, and Schedule J (Form 990), treat as an officer the following persons, regardless of their titles.

1. *Top management official.* The person who has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the organization, for example, the organization's president, CEO, or executive director.

2. *Top financial official.* The person who has ultimate responsibility for managing the organization's finances, for example, the organization's treasurer or chief financial officer.

If ultimate responsibility resides with two or more individuals (for example, co-presidents or co-treasurers), who can exercise such responsibility in concert or individually, then treat all such individuals as officers.

Key employee. For purposes of Form 990, a current **key employee** is an **employee** of the organization (other than an **officer**, **director**, or **trustee**) who meets all three of the following tests, applied in the following order.

1. *$150,000 Test:* Receives **reportable compensation** from the organization and all **related organizations** in excess of $150,000 for the **calendar year** ending with or within the organization's **tax year**.

2. *Responsibility Test:* At any time during the calendar year ending with or within the organization's **tax year**:

a. Has responsibilities, powers, or influence over the organization as a whole that is similar to those of officers, directors, or trustees;

b. Manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or

c. Has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget, or compensation for **employees**.

3. *Top 20 Test:* Is one of the 20 employees other than officers, directors, and trustees who satisfy the *$150,000 Test* and *Responsibility Test* with the highest reportable compensation from the organization and **related organizations** for the calendar year ending with or within the organization's **tax year**.

If the organization has more than 20 individuals who meet the *$150,000 Test* and *Responsibility Test*, report as **key employees** only the 20 individuals who have the highest reportable compensation from the organization and related organizations. Note that any others, up to five, might be reportable as current **highest compensated employees**, with over $100,000 in reportable compensation. Use the calendar year ending with or within the organization's tax year for determining the organization's current key employees.

An individual that isn't an employee of the organization (or of a **disregarded entity** of the organization) is nonetheless treated as a key employee if she or he serves as an officer or director of a disregarded entity of the organization and otherwise meets the standards of a key employee set forth above. See *Disregarded Entities*, later, for treatment of certain employees of a disregarded entity as key employees of the organization.

If an employee is a key employee of the organization for only a portion of the year, that person's entire compensation for the calendar year ending with or within the organization's tax year, from both the filing organization and related organizations, should be reported in Part VII, Section A.

Management companies and similar entities that are **independent contractors** shouldn't be reported as key employees. The organization's **top management official** and **top financial official** are deemed officers rather than key employees.

In the examples set forth below, assume the individual involved is an employee that satisfies the *$150,000 Test* and *Top 20 Test* and isn't an **officer**, **director**, or **trustee**.

Example 1. T is a large section 501(c)(3) university. L is the dean of the law school of T, which generates more than 10% of the revenue of T, including contributions from alumni and foundations. Although L doesn't have ultimate responsibility for managing the university as a whole, L meets the *Responsibility Test* and is reportable as a key employee of T.

Example 2. S chairs a small academic department in the College of Arts and Sciences of the same university, T,

described above. As department chair, S supervises faculty in the department, approves the course curriculum, and oversees the operating budget for the department. The department represents less than 10% of the university's activities, assets, income, expenses, capital expenditures, operating budget, and employee compensation. Under these facts and circumstances, S doesn't meet the *Responsibility Test* and isn't a key employee of T.

Example 3. U is a large acute-care section 501(c)(3) hospital. U employs X as a radiologist. X gives instructions to staff for the radiology work X conducts, but X doesn't supervise other U employees, manage the radiology department, or have or share authority to control or determine 10% or more of U's capital expenditures, operating budget, or employee compensation. Under these facts and circumstances, X doesn't meet the *Responsibility Test* and isn't a key employee of U.

Example 4. W is a cardiologist and head of the cardiology department of the same hospital U, described above. The cardiology department is a major source of patients admitted to U and consequently represents more than 10% of U's income, as compared to U as a whole. As department head, W manages the cardiology department. Under these facts and circumstances, W meets the *Responsibility Test* and is a key employee of U.

Five highest compensated employees. The organization is required to enter its current five **highest compensated employees** whose **reportable compensation** combined from the organization and **related organizations** is greater than $100,000 for the calendar year ending with or within the organization's **tax year** and who aren't also current **officers**, **directors**, **trustees**, or **key employees** of the organization. Such individuals are the "current" five highest compensated employees. These can include persons who meet some but not all of the tests for key employee status. The organization isn't required to enter more than the top five such persons, ranked by amount of reportable compensation. Use the calendar year ending with or within the organization's tax year for determining the organization's current five highest compensated employees.

Example. X is an employee of Y University and isn't an officer, director, or trustee. X's reportable compensation for the calendar year exceeds $150,000, and X meets the *Responsibility Test*. X would qualify as a key employee of Y, except that 20 employees had higher reportable compensation and otherwise qualify as key employees. Therefore, those 20 are listed as the organization's key employees. X has the highest reportable compensation from the organization and related organizations of all employees other than the 20 key employees. X must be listed as one of the organization's five highest compensated employees.

$10,000 exceptions for reporting compensation. Report compensation paid or accrued by the filing organization and **related organizations**. Special rules apply for reporting **reportable compensation** and other compensation.

All reportable compensation paid by the filing organization must be reported. Reportable compensation paid by a related organization isn't required to be reported unless (1) it is $10,000 or more for the calendar year ending with or within the organization's tax year (the "$10,000-per-related-organization exception"), or (2) it is paid for past services to the filing organization in the person's capacity as a former director or trustee.

A particular item of other compensation (such as listed in the compensation table, later) paid or accrued by the filing organization isn't required to be reported unless (1) it is $10,000 or more for the calendar year ending with or within the organization's tax year (the "$10,000-per-item exception"), or (2) it is one of the five types of compensation (generally constituting deferred compensation (including retirement plan benefits) and health benefits) that must be reported regardless of amount (see the instructions for column (F)). The same principles apply to items of other compensation paid or accrued by a related organization (applied separately to each related organization).

The $10,000 exceptions don't apply to reporting compensation on Schedule J (Form 990), Part II.

Reportable compensation. Reportable compensation consists of:

- For **officers** and other **employees**, amounts required to be reported in box 1 or 5 of Form W-2 (whichever amount is greater) (as well as in box 1 of Form 1099-NEC, and/or in box 6 of Form 1099-MISC if the officer or employee is also compensated as an independent contractor of the filing organization or a related organization);
- For **directors** and individual **trustees**, amounts required to be reported in box 1 of Form 1099-NEC; and/or in box 6 of Form 1099-MISC for director and other independent contractor services to the organization or a related organization, plus amounts required to be reported in box 1 or 5 of Form W-2 (whichever amount is greater) if also compensated as an officer or employee of the filing organization or a related organization; and
- For **institutional trustees**, fees for services paid pursuant to a contractual agreement or statutory entitlement. While the compensation of institutional trustees must be reported on Form 990, Part VII, it need not be reported on Schedule J (Form 990).

If the organization didn't file a Form 1099-NEC or Form 1099-MISC because the amounts paid were below the threshold reporting requirement, then include and report the amount actually paid. For a full definition of **reportable compensation**, see *Glossary*.

*Corporate **officers** are considered **employees** for purposes of Form W-2 reporting, unless they perform no services as officers, or perform only minor services and neither receive nor are entitled to receive, directly or indirectly, any **compensation**. Corporate **directors** are considered **independent contractors**, not employees, and director compensation, if any, is generally required to be reported on Form 1099-NEC. See Regulations section 31.3401(c)-1(f).*

For certain kinds of employees and for retirees, the amount in box 5 of Form W-2 can be zero or less than the amount in box 1 of Form W-2. For instance, recipients of disability pay, certain members of the clergy, and religious workers who aren't subject to social security and Medicare taxes as employees can receive compensation that isn't reported in box 5. In that case, the amount required to be reported in box 1 of Form W-2 must be reported as reportable compensation.

If an officer, director, trustee, key employee, or highest compensated employee of the organization is a foreign person who received U.S. source income during the calendar year ending with or within the organization's **tax year** from the filing organization or a **related organization**, and if such income was reported in box 2 of Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, then treat this income as **reportable compensation** and report it in Part VII, Section A, column (D) or (E). For foreign persons for whom compensation reporting on Form W-2, Form 1099-NEC, Form 1099-MISC, or Form 1042-S isn't required, treat as reportable compensation in column (D) or (E) the total value of the compensation paid in the form of cash or property during the calendar year ending with or within the organization's tax year. Report other compensation from foreign organizations as "other compensation" in column (F).

To determine whether an individual received more than $100,000 (or $150,000) in reportable compensation in the aggregate from the filing organization (and, as discussed later, certain third parties such as common paymasters, payroll/reporting agents, and certain **unrelated organizations**, compensation from which is considered compensation from the filing organization) and **related organizations**, add the following amounts.

- The amount reported in box 1 or 5 of Form W-2 (whichever amount is greater), in box 1 of Form 1099-NEC, and/or in box 6 of Form 1099-MISC, issued to the individual by the organization.
- Amounts reported in box 1 or 5 of Form W-2 (whichever amount is greater), in box 1 of Form 1099-NEC, or in box 6 of Form 1099-MISC, issued to the individual by each related organization that reported $10,000 or more.

To determine whether an individual received solely in his or her capacity as a former trustee or director of the organization more than $10,000 in reportable compensation for the calendar year ending with or within the organization's **tax year**, in the aggregate, from the organization and all related organizations (and thus must be reported on Form 990, Part VII, and Schedule J (Form 990), Part II), add the amounts reported in box 1 of all Forms 1099-NEC, box 6 of all Forms 1099-MISC, and, if relevant, box 1 or 5 of all Forms W-2 (whichever amount is greater) issued to the individual by the organization and all related organizations for the calendar year ending with or within the organization's tax year. Report such amounts only to the extent that such amounts relate to the individual's past services as a trustee or director of the organization, and don't disregard any payments from a related organization if below $10,000, for such purpose.

Other compensation. Other compensation includes **compensation** other than **reportable compensation**, including **deferred compensation** not currently reportable in box 1 or 5 of Form W-2, box 1 of Form 1099-NEC, or box 6 of Form 1099-MISC, and certain nontaxable benefits, as discussed in detail in the instructions for Schedule J (Form 990), Part II. See the instructions for other compensation reported in column (F), later, which includes a table to show where and how to report certain types of compensation in Part VII, Section A, and Schedule J (Form 990).

Note. Don't report the same item of compensation in more than one column of Part VII, Section A, for the tax year.

Disregarded entities. Disregarded entities (such as an LLC that is wholly owned by the organization and not treated as a separate entity for federal tax purposes) are generally treated as part of the organization rather than as **related organizations** for purposes of Form 990, including Part VII and Schedule J (Form 990). A person isn't considered an **officer** or **director** of the organization by virtue of being an officer or director of a disregarded entity, but he or she can qualify as a **key employee** or **highest compensated employee** of the organization. An officer, director, or employee of a disregarded entity is a key employee of the organization if she or he meets the *$150,000 Test* and *Top 20 Test* for the filing organization as a whole, and if, for the *Responsibility Test*, the person has responsibilities, powers, or influence over a discrete segment or activity of the disregarded entity that represents at least 10% of the activities, assets, income, or expenses of the filing organization as a whole, or has or shares authority to control or determine the disregarded entity's capital expenditures, operating budget, or compensation for employees that is at least 10% of the filing organization's respective items as a whole. If an officer or director of a disregarded entity also serves as an officer, director, trustee, or key employee of the organization, report this individual as an officer, director, trustee, or key employee, as applicable, of the organization, and add the compensation, if any, paid by the disregarded entity to this individual to the compensation, if any, paid directly by the organization to this individual. Report the total aggregate amount in column (D).

TIP *A disregarded entity must generally use the **EIN** of its sole member. An exception applies to employment taxes: for wages paid to **employees** of a disregarded entity, the disregarded entity must file separate employment tax returns and use its own EIN on such returns. See Regulations sections 301.6109-1(h) and 301.7701-2(c)(2)(iv).*

Management companies. Management companies, as **independent contractors**, are reported on Form 990, Part VII (if at all) only in Section B. Independent Contractors, and aren't reported on Schedule J (Form 990), Part II. If a current or former **officer, director, trustee,** or **key employee** has a relationship with a management company that provides services to the organization, then the relationship may be reportable on Schedule L (Form 990), Part IV. A key employee of a management company must be reported as a current officer of the filing organization if he or she is the filing organization's **top management official** or **top financial official** or is designated as an officer of the filing organization. However, that person doesn't qualify as a key employee of the filing organization solely on the basis of being a key employee of the management company. If a current or former officer, director, trustee, key employee, or **highest compensated employee** received **compensation** from a management company that provided services to the organization and was a **related organization** during the **tax year**, then the individual's compensation from the management company must be reported on Form 990, Part VII, Section A, columns (E) and (F). If the management company wasn't a related organization during the tax year, the individual's compensation from the management company isn't reportable in Part VII, Section A. Questions pertaining to management companies also appear on Form 990, Part VI, line 3, and Schedule H (Form 990), Part IV.

Employee leasing companies and professional employer organizations. In some cases, instead of hiring a management company, an exempt organization "leases" one or more employees from another company, which may be in the business of leasing employees. Alternatively, the organization may enter into an agreement with a professional employer organization to perform some or all of the federal employment tax withholding, reporting, and payment functions related to workers performing services for the organization. The organization should treat employees of an employee leasing company, a professional employer organization (whether or not certified under the new *Certified Professional Employer Organization*), or a management company as the organization's own employees if such persons have the status of employees of the filing organization under the usual common law rules applicable in determining the employer-employee relationship or who are treated as employees of the filing organization for federal employment tax purposes under section 3121(d). See Pub. 1779, Independent Contractor or Employee, for more information. Otherwise, the compensation paid to leasing companies and professional employer organizations should be treated like compensation to a management company for purposes of Form 990 compensation reporting.

Compensation from common paymasters, payroll/reporting agents, and unrelated organizations or individuals (except for compensation from **management companies** or leasing companies, and compensation described in *Taxable organization employee exception*, later) must be treated as reportable compensation in determining whether the dollar thresholds are met for reporting (1) current or former employees as current or former key employees or highest compensated employees; or (2) former officers, directors, or trustees, on Form

Previously, organizations were instructed to report employees of an employee leasing company, a PEO, or a management company as the organization's own employees if they were common law employees of the organization under state law. The 2022 instructions refer to federal law and guidance for determining employee status.

990, Part VII, Section A. If the Form 990, Part VII, thresholds for reporting are met, then the compensation from the common paymaster, payroll/reporting agent, or unrelated organization or individual must be reported as compensation from the filing organization in Part VII. The compensation may also need to be reported on Schedule J (Form 990), Part II (see the instructions for Form 990, Part VII, Section A, line 5).

The use of a leasing company, common paymaster, payroll/reporting agent, or other payroll service provider doesn't relieve an employer of its obligation for employment tax liabilities. The IRS strongly suggests that the organization doesn't change its address to that of its payroll service provider or other third-party payer. Doing so could limit the organization's ability to stay informed of tax matters, because the IRS sends correspondence regarding problems with an employer's account to the employer's address of record. Alternatively, an employer may grant permission for a third-party payer to receive copies of IRS correspondence by using Form 8822-B; Form 2848, Power of Attorney and Declaration of Representative; or Form 8655, Reporting Agent Authorization, as appropriate.

Compensation from unrelated organizations or individuals. If a current or former **officer, director, trustee, key employee,** or **highest compensated employee** received or accrued compensation or payments from an **unrelated organization** (other than from **management companies** or leasing companies, as discussed above) or an individual for services rendered to the filing organization in that person's capacity as an officer, director, trustee, or employee of the filing organization, then the filing organization must report (subject to the *Taxable organization employee exception* next) such amounts as **compensation** from the filing organization if it has knowledge of the arrangement, whether or not the unrelated organization or the individual treats the amounts as compensation, grants, contributions, or otherwise. Report such compensation from unrelated organizations in Section A, columns (D) and (F), as appropriate. If the organization can't distinguish between reportable compensation and other compensation from the unrelated organization, report all such compensation in column (D).

Taxable organization employee exception. Don't report as compensation any payments from an unrelated taxable organization that employs the individual and continues to pay the individual's regular compensation while the individual provides services without charge to the filing organization, but only if the unrelated organization doesn't treat the payments as a charitable contribution to the filing organization.

Column (A). For each person required to be listed, enter the name on the top of each row and the person's title or position with the organization on the bottom of the row. If more than one title or position, list all. List persons in the order described under *Order of reporting*, earlier. List each person on only one line.

Column (B). For each person listed in column (A), estimate the average hours per week devoted to the organization during the year. Entry of a specific number is required for a complete answer. Enter "-0-" if applicable. Don't include statements such as "as needed," "as required," or "40+." If the average is less than 1 hour per week, then the organization can enter a decimal rounded to the nearest tenth (for example, 0.2 hours per week).

For each person listed in column (A), list below the dotted line an estimate of the average hours per week (if any) devoted to related organizations.

Column (C). For each person listed in column (A), check the box that reflects the person's position with the organization during the tax year. Don't check more than one box, unless the person was both an officer and a director/trustee of the organization during the tax year. For a former **officer, director, trustee, key employee,** or **highest compensated employee,** check only the "Former" box and indicate the former status in the person's title.

"Current" officers, directors, trustees, key employees, and highest compensated employees. A "current" **officer, director,** or **trustee** is a person that was an officer, director, or trustee at any time during the organization's **tax year**. A "current" **key employee** or **highest compensated employee** is a person who was an employee at any time during the calendar year ending with or within the organization's tax year, and was a key employee or highest compensated employee for such calendar year.

If the organization files Form 990 based on a **fiscal year**, use the fiscal year to determine the organization's "current" officers, directors, and trustees. Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending with or within the organization's **tax year** to determine the organization's "current" **key employees** and five highest compensated employees.

Don't check the "Former" box if the person was a current officer, director, or trustee at any time during the organization's tax year, or a current key employee or among the five highest compensated employees for the calendar year ending with or within the organization's tax year. A current employee (other than a current officer, director, trustee, key employee, or highest compensated employee) can be reported on Form 990, Part VII, and Schedule J (Form 990), Part II, as (1) a former director or trustee because she or he served as a director or trustee within the last 5 years, and received more than $10,000 in **reportable compensation** for the calendar year ending with or within the organization's tax year in his or her capacity as a former director or trustee; or (2) a former officer or key employee (but not as a former highest compensated employee) because he or she served as an officer or key employee within the last 5 years and received more than $100,000 of reportable compensation for the calendar year ending with or within the organization's tax year. In such a case, indicate the individual's former position in his or her title (for example, "former president").

"Former" officers, directors, trustees, key employees, and highest compensated employees. Check the "Former" box for former officers, directors, trustees, and key employees only if both conditions below apply.

- The organization reported (or should have reported, applying the instructions in effect for such years) an individual on any of the organization's Forms 990, 990-EZ, or 990-PF for any one or more of the 5 prior years in one or more of the following capacities: officer, director, trustee, or key employee.
- The individual received **reportable compensation**, from the organization and/or **related organizations**, in the calendar year ending with or within the organization's current **tax year** in excess of the threshold amount ($100,000 for former officers and key employees; $10,000 paid to former directors and trustees for services rendered in their former capacity as directors or trustees).

If a person was reported (or should have been reported) as an officer, director, trustee, or key employee on any of the organization's prior five Forms 990, 990-EZ, or 990-PF, and if the person was still employed at any time during the organization's tax year either (1) by the organization in a lesser capacity other than as an officer, director, trustee, key employee, or highest compensated employee; or (2) by a related organization in any capacity, but not by the filing organization, and if the person received reportable compensation that exceeded the threshold amount described above, then check only the "Former" box. For example, don't check both the "Former" and "Officer" boxes for a former president of the organization who wasn't an officer of the organization during the tax year.

Whether or not the organization files Form 990 based on a **fiscal year**, use the calendar year ending within the organization's tax year to determine all "former" officers, directors, trustees, key employees, and five highest compensated employees (because their status depends on their reportable compensation, which is reported for the calendar year).

Check the "Former" box for the former five highest compensated employees only if all four conditions below apply.

1. The individual wasn't an **employee** of the organization at any time during the calendar year ending with or within the organization's tax year.

2. The individual was reported (or should have been reported, under the instructions in effect for such years) on any of the organization's Forms 990, 990-EZ, or 990-PF for one or more of the 5 prior years as one of the five highest compensated employees.

3. The individual's reportable compensation exceeded $100,000 for the calendar year ending with or within the organization's tax year.

4. The amount of the individual's reportable compensation for such year would place him or her among the organization's current five highest compensated employees if the individual were an employee during the calendar year ending with or within the organization's tax year.

Example 1. X was reported as one of Y Charity's five highest compensated employees on one of Y's Forms 990, 990-EZ, or 990-PF from 1 of its 5 prior tax years. During Y's **tax year**, X wasn't a current officer, director, trustee, key employee, or highest compensated employee of Y. X wasn't an employee of Y during the calendar year ending with or within Y's tax year. During this calendar year, X received reportable compensation in excess of $100,000 from Y for past services and would be among Y's five highest compensated employees if X were a current employee. Y must report X as a former highest compensated employee on Y's Form 990, Part VII, Section A, for Y's tax year.

Example 2. T was reported as one of Y Charity's five highest compensated employees on one of Y's Forms 990, 990-EZ, or 990-PF from one of its 5 prior tax years. During Y's **tax year**, T wasn't a current officer, director, trustee, key employee, or highest compensated employee of Y, although T was still an employee of Y during the calendar year ending with or within Y's tax year. T received reportable compensation in excess of $100,000 from Y and related organizations for such calendar year. T isn't reportable as a former highest compensated employee on Y's Form 990, Part VII, Section A, for Y's tax year because T was an employee of Y during the calendar year ending with or within Y's tax year.

Example 3. Z was reported as one of Y Charity's key employees on Y's Form 990 filed for one of its 5 prior **tax years**. During Y's tax year, Z wasn't a current officer, director, trustee, key employee, or highest compensated employee of Y. For the calendar year ending with or within Y's tax year, Z received reportable compensation of $90,000 from Y as an employee (and no reportable compensation from related organizations). Because Z received less than $100,000 reportable compensation for the calendar year ending with or within Y's tax year from Y and its related organizations, Y isn't required to report Z as a former key employee on Y's Form 990, Part VII, Section A, for Y's tax year.

Columns (D) and (E). Enter the amounts required to be reported (whether or not actually reported) in box 1 or 5 of Form W-2 (whichever is greater), box 1 of Form 1099-NEC, and/or box 6 of Form 1099-MISC, issued to the person for the calendar year ending with or within the organization's **tax year**. Enter an amount for each person in each of columns (D) and (E). Enter "-0-" if the person received no **reportable compensation**. For **institutional trustees** that don't receive a Form 1099-NEC or 1099-MISC, enter the amount that the organization would have reported in box 1 of Form 1099-NEC or box 6 of Form 1099-MISC if the form(s) had been required.

Reportable compensation paid to the person by a **related organization** at any time during the entire calendar year ending with or within the filing organization's tax year should be reported in column (E). If the related organization was related to the filing organization for only a portion of the tax year, then the filing organization may choose to report only compensation paid or accrued by the related organization during the time it was actually related. If the filing organization reports compensation on this basis, it must explain in Schedule O (Form 990) and state the period during which the related organization was related.

$10,000-per-related-organization exception. For purposes of column (E), the organization need not include payments from a single related organization if it is less than $10,000 for the calendar year ending with or within the organization's tax year, except to the extent paid to a former **director** or former **trustee** of the filing organization for services as a director or trustee of the organization. For example, if an officer of the organization received **compensation** of $6,000, $15,000, and $50,000 from three separate related organizations for services provided to those organizations, the organization needs to report only $65,000 in column (E) for the officer.

Volunteer exception. The organization need not report in column (E) or (F) compensation from a related organization paid to a **volunteer officer**, **director**, or **trustee** of the filing organization if the related organization is a for-profit organization; isn't owned or controlled, directly or indirectly, by the organization or one or more related tax-exempt organizations; and doesn't provide management services for a fee to the organization.

Bank or financial institution trustee. If the organization is a trust with a bank or financial institution trustee that is also a trustee of another trust, it need not report in column (E) or (F) compensation from the other trust for services provided as the trustee to the other trust, because the other trust isn't a related organization (see the *Glossary* definition of **related organization**).

Reasonable effort. The organization isn't required to report compensation from a **related organization** to a person listed on Form 990, Part VII, Section A, if the organization is unable to secure the information on compensation paid by the related organization after making a **reasonable effort** to obtain it, and if it is unable to make a reasonable estimate of such compensation. If the organization makes reasonable efforts but is unable to obtain the information or provide a reasonable estimate of compensation from a related organization in column (E) or (F), then it must report the efforts undertaken on Schedule O (Form 990). An example of a reasonable effort is for the organization to distribute a questionnaire annually to each of its current and former officers, directors, trustees, key employees, and highest compensated employees that includes the name and title of each person reporting information, blank lines for those persons' signatures and signature dates, and the pertinent instructions and definitions for Form 990, Part VII, Section A, columns (E) and (F).

Short year and final returns. For a short year return in which there is no calendar year that ends with or within the short year, leave columns (D) and (E) blank, and don't report any **key employees, highest compensated employees,** or **highest compensated independent contractors** (because such persons are determined according to compensation received in the calendar year ending with or within the tax year for which the return is filed), unless the return is a final return. If the return is a final return, report the compensation that is reportable

compensation on Forms W-2 and 1099 for the short year, from both the filing organization and related organizations, whether or not Forms W-2 or 1099 have been filed yet to report such compensation.

Column (F). Other compensation generally includes compensation not currently reportable in box 1 or 5 of Form W-2, in box 1 of Form 1099-NEC, or in box 6 of Form 1099-MISC, including nontaxable benefits other than disregarded benefits, as discussed under *Disregarded benefits*, later, and in the instructions for Schedule J (Form 990), Part II. Treat amounts paid or accrued under a **deferred compensation** plan, or held by a deferred compensation trust, that is established, sponsored, or maintained by the organization (or a **related organization**) as paid, accrued, or held directly by the organization (or the related organization). Deferred compensation to be reported in column (F) includes compensation that is earned or accrued in one year and deferred to a future year, whether or not funded, vested, qualified or nonqualified, or subject to a substantial risk of forfeiture. But don't report in column (F) a deferral of compensation that causes an amount to be deferred from the calendar year ending with or within the tax year to a date that isn't more than 2 1/2 months after the end of the calendar year ending with or within the tax year if such compensation is currently reported as reportable compensation.

Enter an amount in column (F) for each person listed in Part VII, Section A. (Enter "-0-" if applicable.) Report a reasonable estimate if actual numbers aren't readily available.

Other compensation paid to the person by a **related organization** at any time during the calendar year ending with or within the filing organization's tax year should be reported in column (F). If the related organization was related to the filing organization for only a portion of the tax year, then the filing organization may choose to report only other compensation paid or accrued by the related organization during the time it was actually related. If the filing organization reports compensation on this basis, it must explain on Schedule O (Form 990) and state the period during which the related organization was related.

The following items of compensation provided by the filing organization and related organizations must be reported as "other compensation" in column (F) in all cases regardless of the amount, to the extent they aren't included in column (D).

1. Tax-deferred contributions by the employer to a qualified defined contribution retirement plan.

2. The annual increase or decrease in actuarial value of a qualified defined benefit plan, whether or not funded or vested.

3. The value of health benefits provided by the employer, or paid by the employee with pre-tax dollars, that aren't included in reportable compensation. For this purpose, health benefits include (1) payments of health benefit plan premiums, (2) medical reimbursement and flexible spending programs, and (3) the value of health coverage (rather than actual benefits paid) provided by an employer's self-insured or self-funded arrangement. Health benefits include dental, optical, drug, and medical equipment benefits. They don't include disability or long-term care insurance premiums or allocated benefits for this purpose.

4. Tax-deferred contributions by the employer and employee to a funded nonqualified defined contribution plan, and deferrals under an unfunded nonqualified defined contribution plan, whether or not such plans are vested or subject to a substantial risk of forfeiture. See the examples in the Schedule J (Form 990), Part II, instructions.

5. The annual increase or decrease in actuarial value of a nonqualified defined benefit plan, whether or not funded, vested, or subject to a substantial risk of forfeiture.

$10,000-per-item exception. Except for the five items listed above, neither the organization nor a **related organization** is required to report on Form 990, Part VII, Section A, any item of "other compensation" (as set forth in the compensation table beginning later) if its total value is less than $10,000 for the calendar year ending with or within the organization's tax year.

Amounts excluded under the two separate $10,000 exceptions (the $10,000-per-related-organization and $10,000-per-item exceptions) are to be excluded from **compensation** in determining whether an individual's total **reportable compensation** and other compensation exceeds the thresholds set forth on Form 990, Part VII, Section A, line 4. If the individual's total compensation exceeds the relevant threshold, then the amounts excluded under the $10,000 exceptions are included in the individual's compensation reported on Schedule J (Form 990). Thus, the total amount of compensation reported on Schedule J (Form 990) can be higher than the amount reported on Form 990, Part VII, Section A.

The $10,000-per-item exception applies separately for each item of other compensation from the organization and from each related organization.

Example 1. Organization X provides the following compensation to its current officer:

$110,000	Reportable compensation (including pre-tax employee contributions of $5,000 to a qualified defined contribution retirement plan and $2,500 to a qualified health benefit plan)
5,000	Tax-deferred employer contribution to qualified defined contribution retirement plan
5,000	Nontaxable employer contributions to health benefit plan
4,000	Nontaxable dependent care assistance
500	Nontaxable group life insurance premium

Organization Y, a related organization, also provides compensation to the officer as follows:

$21,000	Reportable compensation (including $1,000 pre-tax employee contribution to qualified defined contribution retirement plan)
1,000	Tax-deferred employer contribution to qualified defined contribution retirement plan
5,000	Nontaxable tuition assistance

The officer receives no compensation in the capacity as a former director or trustee of X, and no unrelated organization pays the officer for services provided to X. The organization can disregard as other compensation (a) the $4,500 in dependent care and group life insurance payments from the organization (under the $10,000-per-item exception), and (b) the $5,000 in tuition assistance from the related organization (under the $10,000-per-item exception) in determining whether the officer's total reportable and other compensation from the organization and related organizations exceeds $150,000. In this case, total reportable compensation is $131,000, and total other compensation (excluding the excludable items below $10,000) is $11,000. Under these circumstances, the officer's dependent care, group life, and tuition assistance items need not be reported as other compensation on Form 990, Part VII, Section A, column (F), and the officer's total reportable and other compensation ($142,000) isn't reportable on Schedule J (Form 990). If, instead, the officer's reportable compensation from Y were $30,000 rather than $21,000, then the officer's total reportable and other compensation ($151,000) would be reportable on Schedule J (Form 990), including the dependent care, group life, and tuition assistance items, even though these

items wouldn't have to be reported as other compensation on Form 990, Part VII.

Example 2. Organization S provides health benefits to B (its CEO) under a self-insured medical reimbursement plan. The value of the plan benefits for the tax year is $10,000, which represents the estimated cost of providing coverage for the year if the employer paid a third-party insurer for similar benefits, as determined on an actuarial basis. The actual benefits paid for B and B's family for the year are $30,000. If the benefits aren't reportable compensation to B, then Organization S must report the $10,000 value of plan benefits as other compensation to B on Form 990, Part VII, Section A, column (F).

Disregarded benefits. Disregarded benefits under Regulations section 53.4958-4(a)(4) need not be reported in column (F). Disregarded benefits generally include fringe benefits excluded from gross income under section 132. These benefits include:

- No-additional cost service,
- Qualified employee discount,
- Working condition fringe,
- De minimis fringe,
- Qualified transportation fringe,
- Qualified retirement planning services, and
- Qualified military base realignment and closure fringe.

For descriptions of each of these disregarded benefits, see the Instructions for Schedule J (Form 990).

Short year and final returns. For a short year return in which there is no calendar year that ends with or within the short year, leave column (F) blank, unless the return is a final return. If the return is a final return, report the other compensation for the short year from both the filing organization and related organizations.

Compensation table for reporting in Part VII, Section A, or Schedule J (Form 990), Part II. The following table may be useful in determining how and where to report items of **compensation** on Form 990, Part VII, Section A, and on Schedule J (Form 990), Part II. The list isn't comprehensive but covers most items for most organizations. Many items of compensation may or may not be taxable or currently taxable, depending on the plan or arrangement adopted by the organization and other circumstances. The list attempts to take into account these varying facts and circumstances. The list is merely a guideline to report amounts for those persons required to be listed. In all cases, items included in box 1 or 5 of Form W-2 (whichever is greater), in box 1 of Form 1099-NEC, and/or in box 6 of Form 1099-MISC are required to be reported on Part VII, Section A, and, for applicable persons, Schedule J (Form 990), Part II, column (B). Items listed as “taxable” or “taxable in current year” are currently includible in reportable compensation, but aren't necessarily subject to federal income tax in the current year.

Any item listed in the following compensation table that isn't followed by a star (x) or asterisk (*) in any column shouldn't be reported on Part VII, Section A; or in Schedule J (Form 990), Part II.

Type of Compensation	Where To Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Base salary/wages/fees paid	x				
Base salary/wages/fees deferred (taxable)	x				
Base salary/wages/fees deferred (nontaxable)				x	
Bonus paid (including signing bonus)		x			
Bonus deferred (taxable in current year)		x			
Bonus deferred (not taxable in current year)				x	
Incentive compensation paid		x			
Incentive compensation deferred (taxable in current year)		x			
Incentive compensation deferred (not taxable in current year)				x	
Severance or change of control payments made			x		
Sick pay paid by employer	x				
Third-party sick pay			x		
Other compensation amounts deferred (taxable in current year)		x			
Other compensation amounts deferred (not taxable in current year)				x	
Tax gross-ups paid			x		
Vacation/sick leave cashed out			x		
Stock options at time of grant				x	
Stock options at time of exercise			x		
Stock awards paid by taxable organizations substantially vested			x		
Stock awards paid by taxable organizations not substantially vested				x	
Stock equivalents paid by taxable organizations substantially vested			x		
Stock equivalents paid by taxable organizations not substantially vested				x	
Loans—forgone interest or debt forgiveness			x		
Contributions (employer) to qualified retirement plan				x	
Contributions (employee deferrals) to section 401(k) plan	x				
Contributions (employee deferrals) to section 403(b) plan	x				
Qualified or nonqualified retirement plan defined benefit accruals (reasonable estimate of increase or decrease in actuarial value)				x	
Qualified retirement (defined contribution) plan investment earnings or losses (not reportable or other compensation)					
Taxable distributions from qualified retirement plan, including section 457(b) eligible governmental plan (reported on Form 1099-R but not reportable or other compensation on Form 990)					

Type of Compensation	Where To Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Distributions from nongovernmental section 457(b) plan			x		
Amounts includible in income under section 457(f)			x		
Amounts deferred by employer or employee (plus earnings) under section 457(b) plan (substantially vested)			x		
Amounts deferred by employer or employee under section 457(b) or 457(f) plan (not substantially vested)				x	
Amounts deferred under nonqualified defined contribution plans (substantially vested)			x		
Amounts deferred under nonqualified defined contribution plans (not substantially vested)				x	
Earnings or losses of nonqualified defined contribution plan (substantially vested)			x		
Earnings or losses of nonqualified defined contribution plan (not substantially vested)					
Scholarships and fellowship grants (taxable)			x		
Health benefit plan premiums paid by employer (taxable)	x				
Health benefit plan premiums paid by the employee (taxable)	x				
Health benefit plan premiums (nontaxable)					x
Medical reimbursement and flexible spending programs (taxable)			x		
Medical reimbursement and flexible spending programs (nontaxable)					x
Other health benefits (taxable)			x		
Other health benefits (nontaxable)					x
Life, disability, or long-term-care insurance (taxable)			x		
Life, disability, or long-term-care insurance (nontaxable)					*
Split-dollar life insurance (see Notice 2002-8, 2002-1 C.B. 398)			x		
Housing provided by employer or ministerial housing allowance (taxable)			x		
Housing provided by employer or ministerial housing allowance (nontaxable) (but see Schedule J instructions regarding working condition fringes)					*
Personal legal services (taxable)			x		
Personal legal services (nontaxable)					*
Personal financial services (taxable)			x		
Personal financial services (nontaxable)					*
Dependent care assistance (taxable)			x		
Dependent care assistance (nontaxable)					*
Adoption assistance (taxable)			x		
Adoption assistance (nontaxable)					*
Tuition assistance for family (taxable)			x		

Type of Compensation	Where To Report				
	Form 990, Part VII, Section A, column (D) or (E)			Form 990, Part VII, Section A, column (F)	
	Schedule J (Form 990), Part II, column B(i)	Schedule J (Form 990), Part II, column B(ii)	Schedule J (Form 990), Part II, column B(iii)	Schedule J (Form 990), Part II, column C	Schedule J (Form 990), Part II, column D
Tuition assistance for family (nontaxable)					*
Cafeteria plans (nontaxable health benefit)					x
Cafeteria plans (nontaxable benefit other than health)					*
Liability insurance (taxable)			x		
Employer-provided automobile (taxable)			x		
Employer-subsidized parking (taxable)			x		
Travel (taxable)			x		
Moving (taxable)			x		
Meals and entertainment (taxable)			x		
Social club dues (taxable)			x		
Spending account (taxable)			x		
Gift cards			x		
Disregarded benefits under Regulations section 53.4958-4(a)(4) (see Schedule J, Part II, instructions)					

Note. Items marked with an asterisk (*) instead of a star (x) are excludable from Form 990, Part VII, Section A, column (F), if below $10,000.

Line 1b. Report the subtotals of compensation from the Section A, line 1a, table in line 1b, columns (D), (E), and (F).

Line 1c. Report the subtotals of compensation from duplicate Section A tables for filers that report more than 25 persons in the Section A, line 1a, table in line 1c, columns (D), (E), and (F).

Line 1d. Add the totals of lines 1b and 1c in line 1d for columns (D), (E), and (F).

Line 2. Report the total number of individuals, both those listed in the Part VII, Section A, table, and those not listed, to whom the filing organization (not **related organizations**) paid over $100,000 in **reportable compensation** during the **tax year**.

Line 3. Complete Schedule J (Form 990) for each of the following persons.

- Each individual listed in Part VII, Section A, as a former **officer**, former **key employee**, or former **highest compensated employee**. To determine whether an individual received more than $100,000 in **reportable compensation** in the aggregate from the organization and **related organizations**, add the amounts reported in box 1 or 5 of all Forms W-2 (whichever is greater), in box 1 of all Forms 1099-NEC, and/or in box 6 of all Forms 1099-MISC, issued to the individual by the organization and all related organizations (disregarding amounts from a related organization if below $10,000) for the **calendar year** ending with or within the organization's **tax year**.
- Each individual that received, solely in the capacity as a former **director** or former **trustee** of the organization, more than $10,000 of reportable compensation (Part VII, Section A, columns (D) and (E)) during the year from the organization or related organizations. To determine whether an individual received or accrued more than $10,000 in reportable compensation solely in the capacity as a former trustee or director of the organization, add the amounts reported in box 1 of all Forms 1099-NEC, and, if applicable, box 1 or 5 of all Forms W-2 (whichever is greater), and/or issued to the individual by the organization and all related organizations, to the extent that such amounts relate to the individual's past services as a trustee or director of the organization and not of a related organization. The $10,000-per-related-organization exception doesn't apply for this purpose.

Line 4. Complete Schedule J (Form 990) for each individual listed in Section A who received or accrued more than $150,000 of reportable and other compensation from the organization and related organizations. To determine whether any listed individual received or accrued more than $150,000 of reportable and other compensation, add all **compensation** included in Part VII, Section A, columns (D), (E), and (F), but disregard any decreases in the actuarial value of defined benefit plans.

The following chart explains which **officers**, **directors**, **trustees**, **key employees**, and **highest compensated employees** must be reported on Form 990, Part VII, Section A, and on Schedule J (Form 990). See also *Line 5*, later, for additional individuals who must be reported on Schedule J (Form 990), Part II.

Matrix for Part VII, Section A, Lines 3 and 4

Position	Current or former	Enter on Form 990, Part VII, Section A . . .	Enter on Schedule J (Form 990), Part II . . .
Directors and Trustees	Current	All	If reportable and other compensation is greater than $150,000 in the aggregate from organization and related organizations (don't report institutional trustees)
	Former	If reportable compensation in capacity as former director or trustee is greater than $10,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A (don't report institutional trustees)
Officers	Current	All	If reportable and other compensation is greater than $150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation is greater than $100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
Key Employees	Current	All	All
	Former	If reportable compensation is greater than $100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A
Other Five Highest Compensated Employees	Current	If reportable compensation is greater than $100,000 in the aggregate from organization and related organizations	If reportable and other compensation is greater than $150,000 in the aggregate from organization and related organizations
	Former	If reportable compensation is greater than $100,000 in the aggregate from organization and related organizations	If listed on Form 990, Part VII, Section A

Line 5. Complete Schedule J (Form 990) for any individual listed on Form 990, Part VII, Section A, if the person receives or accrues **compensation** from an **unrelated organization** (other than from management companies and leasing companies, as discussed earlier) for services rendered to the filing organization in the person's capacity as an **officer**, **director**, **trustee**, or **employee** of the filing organization. Also, specify on Schedule J (Form 990), Part III, the name of the unrelated organization, the type and amount of compensation it paid or accrued, and the person receiving or accruing such compensation. See *Compensation from unrelated organizations or individuals*, earlier.

For purposes of line 5, disregard:

1. Payments from a **deferred compensation** trust or plan established, sponsored, or maintained by the organization (or a related organization), and deferred compensation held by such trust or plan;

2. Payments from a common paymaster for services provided to the organization (or to a related organization); or

3. Payments from an unrelated taxable organization that employs the individual and continues to pay the individual's regular compensation while the individual provides services without charge to the filing organization, but only if the unrelated organization doesn't treat the payments as a charitable contribution to the filing organization.

Example 1. A is the CEO (and the **top management official**) of the organization. In addition to compensation paid by the organization to A, A receives payments from B, an unrelated corporation (using the definition of relatedness on Schedule R (Form 990)), for services provided by A to the organization. B also makes rent payments for A's personal residence. The organization is aware of the compensation arrangement between A and B, and doesn't treat the payments as paid by the organization for Form W-2 reporting purposes. A, as the top management official of the organization, must be listed as an officer of the organization in Part VII, Section A. However, the amounts paid by B to A require that the organization answer "Yes" on line 5 and complete Schedule J (Form 990) about A.

Example 2. C is an attorney employed by a law firm that isn't a related organization to the organization. The organization and the law firm enter into an arrangement where C serves the organization, a section 501(c)(3) legal aid society pro bono, on a full-time basis as its vice president and as a board member while continuing to receive her regular compensation from the law firm. The organization doesn't provide any compensation to C for the services provided by C to the organization, and doesn't report C's compensation on Form W-2, Form 1099-NEC, or Form 1099-MISC. The law firm doesn't treat any part of C's compensation as a charitable contribution to the legal aid society. Under these circumstances, the amounts paid by the law firm to C don't require that the organization answer "Yes" on line 5, about C. Also, nothing in these facts would prevent C from qualifying as an independent member of the organization's governing body for purposes of Form 990, Part VI, line 1b.

Example 3. D, a volunteer director of the organization, is also the sole owner and CEO of M management company (an unrelated organization), which provides management services to the organization. The organization pays M an annual fee of $150,000 for management services. Under the circumstances, the amounts paid by M to D (in the capacity as owner and CEO of M) don't require that the organization answer "Yes" on line 5, regarding D. However, the organization must report the transaction with M, including the relationship between D and M, on Schedule L (Form 990), Part IV. Also, D doesn't qualify as an independent member of the organization's governing body because D receives indirect financial benefits from the organization through M that are reportable on Schedule L (Form 990), Part IV.

Section B. Five Highest Compensated Independent Contractors

Complete this table for the five highest compensated **independent contractors** that received more than $100,000 in compensation for services, whether professional or other services, from the organization. Independent contractors include organizations as well as individuals and can include professional fundraisers, law firms, accounting firms, publishing companies, **management companies**, and investment management companies. Don't report public utilities or insurance providers as independent contractors. See Pub. 1779, and Pub. 15-A, Employer's Supplemental Tax Guide, for distinguishing **employees** from independent contractors.

Column (C). Enter the amount the organization paid, whether reported in box 1 of Form 1099-NEC, in box 6 of Form 1099-MISC, or paid under the parties' agreement or applicable state law, for the calendar year ending with or within the organization's tax year.

For a short year return in which there is no calendar year that ends with or within the short year, don't report any information in columns (A) through (C), unless the return is a final return. If the return is a final return, report the compensation paid to the independent contractor(s) under the parties' agreement during the short year or the compensation that is reportable compensation on Form 1099 for the short year, whether or not Form 1099 has been filed yet to report such compensation.

Compensation includes fees and similar payments to independent contractors but not reimbursement of expenses unless incidental to providing the service. However, for this purpose, the organization must report gross payments to the **independent contractor** that include expenses and fees if the expenses aren't separately reported to the organization.

TIP *Form 1099-NEC and/or Form 1099-MISC may be required to be issued for payments to an independent contractor, with compensation reported in box 1 of Form 1099-NEC and/or box 6 of Form 1099-MISC.*

Part VIII. Statement of Revenue

Check the box in the heading of Part VIII if Schedule O (Form 990) contains any information pertaining to this part.

Column (A). All organizations must complete column (A), reporting their **gross receipts** for all sources of revenue. All organizations (except section 527 political organizations) must complete columns (B) through (D), which must add up to the amount in column (A) for each line in Part VIII. Refer to specific instructions in this part for completing each column.

TIP *If the organization enters an amount in column (A) for lines 2a through 2e or lines 11a through 11c, it must also enter a corresponding business activity code from* Business Activity Codes*, later. If none of the listed codes, or other 6-digit codes listed on the NAICS website at 2022 NAICS Census Chart, accurately describe the activity, enter "900099." Use of these codes doesn't imply that the business activity is unrelated to the organization's exempt purpose. For nonstore retailers, select the PBA code by the primary product that your establishment sells. For example, establishments primarily selling prescription and non-prescription drugs, select PBA code 456110* Pharmacies and drug retailers*.*

Column (B). In column (B), report all revenue from activities substantially related to the organization's exempt purposes. Use of revenue for the organization's exempt purposes doesn't make the activity that produced the income (for example, fundraising activity) substantially related to the organization's exempt purposes. Also report here any revenue that is excludable from gross income other than by section 512, 513, or 514, such as interest on state and local bonds that is excluded from tax by section 103.

Column (C). In column (C), report any **unrelated business** revenue received by the organization during the **tax year** from an **unrelated trade or business**, unless that revenue is reportable in Part VIII, column (D). See Pub. 598 and the Instructions for Form 990-T for more information.

TIP *A section 501(c)(3) organization that is an S corporation shareholder must treat all allocations of income from the S corporation as **unrelated business income**. Gain on the disposition of stock is also treated as unrelated business income. See section 512(e).*

Column (D). In column (D), report any revenue excludable from **unrelated business income** by section 512, 513, or 514. Examples of such revenue include receipts from the sale of donated merchandise, interest (unless debt-financed), and receipts from **bingo** games.

Neither Form 5500 nor DOL Forms LM-2 or LM-3, Labor Organization Annual Report, should be substituted for the Form 990, Part VIII or IX.

Line 1. In General

On lines 1a through 1f, report cash and noncash amounts received as voluntary **contributions**, gifts, grants, or other similar amounts from the general public, **governmental units**, foundations, and other exempt organizations. The general public includes individuals, corporations, trusts, estates, and other entities. Voluntary contributions are payments, or the part of any payment, for which the payer (donor) doesn't receive full retail value (**FMV**) from the recipient (donee) organization. Contributions are reported on line 1 regardless of whether they are deductible by the contributor. The noncash portion of contributions reported on lines 1a through 1f is also reported on line 1g.

Report gross amounts of contributions collected in the organization's name by fundraisers.

Report all expenses of raising contributions on Part IX, column (D), *Fundraising expenses*. The organization must enter on Part IX, line 11e, fees for **professional fundraising services** relating to the gross amounts of contributions collected in the organization's name by professional fundraisers.

Report on line 1 assets contributed to the organization by another entity in the course of the entity's liquidation, dissolution, or termination.

Report the value of **noncash contributions** at the time of the donation. For example, report the **FMV** of a donated car at the time the car was received as a donation.

Don't net losses from uncollectible pledges from prior years, refunds of contributions and service revenue from prior years, or reversal of grant expenses from prior years on line 1. Rather, report any such items as "Other changes in net assets or fund balances" on Part XI, line 9, and explain on Schedule O (Form 990).

The organization must report any contributions of **conservation easements** and other **qualified conservation contributions** consistently with how it reports revenue from such contributions in its books, records, and financial statements.

Reporting on line 1 according to **ASC 958** is generally acceptable (though not required) for Form 990 purposes, but the value of donated services or use of materials, equipment, or facilities may not be reported. An organization that receives a grant to be paid in future years should, according to ASC 958, report the grant's present value on line 1. Accruals of present

Updated link. Previously referred to 2017 NAICS Census Chart

value increments to the unpaid grant should be reported on line 1 in future years.

Contributions don't include the following.

- Grants, fees, or other support from **governmental units**, foundations, or other exempt organizations that represent a payment for a service, facility, or product that primarily gives some economic or physical benefit to the payer.
- The portion of any fundraising solicitation representing payment for goods, services, or anything else at retail value.
- Unreimbursed expenses of **officers, employees,** or **volunteers**. (See the explanations of charitable contributions and employee business expenses in Pub. 526 and Pub. 463, respectively.)
- Payments received from employers for welfare benefits under plans described in sections 501(c)(9), (17), and (18). Report these amounts on line 2, *Program Service Revenue*.
- Donations of services such as the value of donated advertising space, broadcast air time (including donated public service announcements), or discounts on services or donations of use of materials, equipment, or facilities, even though reporting donated services and facilities as items of revenue and expense is called for in certain circumstances by generally accepted accounting principles. The optional reporting of donated services and facilities is discussed in the instructions for Form 990, Part III.

Example 1. A hotel in a city's entertainment district donates 100 “right to use” certificates covering 15 hotel rooms a night to disaster relief organization B. B then uses these certificates as emergency housing in furtherance of its exempt purposes. B shouldn't report the value of this contribution on line 1 (or on any other line in Part VIII), because this is a donation of services and use of facilities to B. Similarly, if B were to auction off the certificates as part of a fundraising event, B shouldn't report the value of the contributed certificates on line 1 (or on any other line in Part VIII). Rather, it should report gross income from the auction on Part VIII, line 8a.

Example 2. Organization C purchases 100 “right to use” certificates (as described in *Example 1* above) from the hotel, then contributes them to disaster relief organization B and designates that they be used for disaster relief purposes. B should report the **FMV**of these certificates on line 1. If B were to auction off the certificates as part of a fundraising event, then use the proceeds for disaster relief purposes, B should report the gross income from the auction on Part VIII, line 8a; report the FMV of the contributed certificates on line 8b; and report the difference between lines 8a and 8b on line 8c.

Line 1a. Enter on line 1a the total amount of **contributions** received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as from a United Way organization). Federated fundraising agencies normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state, and allocate part of the net proceeds to each participating organization on the basis of the donors' individual designations and other factors.

Federated fundraising agencies must, like all other filers, identify the sources of contributions made to them on lines 1a through 1g.

Line 1b. Report on line 1b membership dues and assessments that represent **contributions** from the public rather than payments for benefits received or payments from affiliated organizations.

Example. M is an organization whose primary purpose is to support the local symphony orchestra. Members have the privilege of purchasing subscriptions to the symphony's annual concert series before they go on sale to the general public, but must pay the same price as any other member of the public. They are also entitled to attend a number of rehearsals each season without charge. Under these circumstances, M's receipts from members are contributions reported on line 1b. Membership dues that aren't contributions because they compare reasonably with available benefits are reported on line 2, *Program Service Revenue*.

Membership dues can consist of both contributions and payment for goods and services. In that case, the portion of the membership dues that is a payment for goods or services should be reported on line 2, *Program Service Revenue*. The portion that exceeds the **FMV**of the goods or services provided should be reported on line 1b.

The portion of membership dues attributable to certain membership benefits that are considered to be insubstantial (for example, low-cost articles, free or discounted admission to the organization's activities, discounts on purchases from the organization's gift shop, free or discounted parking) may be reported as contributions on line 1, rather than as payments for goods or services on line 2. See Pub. 1771, Charitable Contributions—Substantiation and Disclosure Requirements, for more information on insubstantial membership benefits that need not be valued or reported.

Line 1c. Enter the total amount of **contributions** received from **fundraising events**, which includes, but isn't limited to, dinners, auctions, and other events conducted for the sole or primary purpose of raising funds for the organization's exempt activities. Report contributions received from **gaming** activities on line 1f, not on line 1c.

Example. An organization holds a dinner, charging $400 per person for the meal. The dinner has a retail value of $160. A person who purchases a ticket is really purchasing the dinner for $160 and making a contribution of $240. The contribution of $240, which is the difference between the buyer's payment and the retail value of the dinner, would be reported on line 1c and again on line 8a (within parentheses). The revenue received ($160 retail value of the dinner) would be reported in the right-hand column on line 8a.

If a contributor gives more than $160, that person would be making a contribution of the difference between the dinner's retail value of $160 and the amount actually given. Rev. Rul. 67-246, 1967-2 C.B. 104, as distinguished by Rev. Rul. 74-348, 1974-2 C.B. 80, explains this principle in detail. See also the instructions for lines 8a through 8c and Pub. 526.

Organizations that report more than $15,000 total on lines 1c and 8a must also answer “Yes” on Part IV, line 18, and complete Part II of Schedule G (Form 990).

Line 1d. Enter on line 1d amounts contributed to the organization by **related organizations**. Don't report amounts reportable on line 1a.

Line 1e. Enter the total amount of **contributions** in the form of grants or similar payments from local, state, or federal government sources, as well as foreign governments. Include grant amounts from **U.S. possessions**.

Whether a payment from a **governmental unit** is labeled a “grant” or a “contract” doesn't determine where the payment should be reported on Part VIII. Rather, a grant or other payment from a governmental unit is reported here if its primary purpose is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the governmental unit. In other words, the payment is recorded on line 1e if the general public receives the primary and direct benefit from the payment and any benefit to the governmental unit is indirect and insubstantial as compared to the public benefit.

The "Tip" related to reporting loans provided under the Paycheck Protection Program as part of the CARES Act has been removed since it is no longer applicable.

The following are examples of governmental grants and other payments that are treated as contributions and reported on line 1e.

- Payments by a governmental unit for the construction or maintenance of library or museum facilities open to the public.
- Payments by a governmental unit to nursing homes to provide care to their residents (but not Medicare/Medicaid or similar payments made on behalf of the residents).
- Payments by a governmental unit to child placement or child guidance organizations under government programs to better serve children in the community.

Line 1f. Enter all other **contributions**, gifts, and similar amounts the organization received from sources not reported separately on lines 1a through 1e. This amount includes contributions from **donor advised funds** (unless the **sponsoring organization** is a **related organization**) and from **gaming** activities. For a section 501(c)(21) trust, enter the total contributions received under section 192 from the coal mine operator who established the trust. Contributions to the trust must be in cash or property of the type in which the trust is permitted to invest (for example, public debt securities of the United States, obligations of a state or local government that are not in default as to principal or interest, or time and demand deposits in a bank or insured credit union as described in section 501(c)(21)(D)(ii)).

Line 1g. Enter on line 1g the value of **noncash contributions** included on lines 1a through 1f. If this amount exceeds $25,000, the organization must answer "Yes" on Part IV, line 29, and complete and attach Schedule M (Form 990).

Noncash contributions are anything other than cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization. Value noncash donated items, like cars and **securities**, as of the time of their receipt, even if they were sold immediately after they were received.

Example. A charity receives a gift of stock from an unrelated donor. The stock is delivered to the charity's broker, who sells it on the same day and remits the sales proceeds, net of commissions, to the charity. The value of the stock at the time of the contribution must be reported on line 1f and also on line 1g. The sale of the stock, and the related sales expenses (including the amounts reported on lines 1f and 1g), must be reported on lines 7a through 7d.

TIP *Museums and other organizations that elect not to capitalize their collections (according to ASC 958-360-45) shouldn't report an amount on line 1g for **works of art** and other collection items donated to them.*

For more information on **noncash contributions**, see the instructions for Schedule M (Form 990).

Line 1h. Enter on line 1h the total of lines 1a through 1f (but not line 1g).

TIP *The organization may also need to attach Schedule B (Form 990) to report certain contributors and their **contributions**. See the Instructions for Schedule B (Form 990) for more information.*

Line 2. On lines 2a through 2e, enter the organization's five largest sources of program service revenue. Program services are primarily those that form the basis of an organization's exemption from tax. For a more detailed description of program service revenue, refer to the instructions for Part IX, column (B).

On line 2f, enter the total received from all other sources of program service revenue not listed individually on lines 2a through 2e. On line 2g, enter the total of column (A), lines 2a through 2f.

Program service revenue. Program service revenue includes income earned by the organization for providing a government agency with a service, facility, or product that benefited that government agency directly rather than benefiting the public as a whole. Program service revenue also includes tuition received by a school; revenue from admissions to a concert or other performing arts event or to a museum; royalties received as author of an educational publication distributed by a commercial publisher; interest income on loans a credit union makes to its members; payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage; insurance premiums received by a fraternal beneficiary society; and registration fees received in connection with a meeting or convention.

Program-related investments. Program service revenue also includes income from **program-related investments**. These investments are made primarily to accomplish an exempt purpose of the investing organization rather than to produce income. Examples are scholarship loans and low-interest loans to charitable organizations, indigents, or victims of a disaster.

Rental income from an exempt function is another example of program-related investment income. For purposes of this return, report all rental income from an affiliated organization on line 2.

Unrelated trade or business activities. Unrelated trade or business activities (not including any **fundraising events** or **fundraising activities**) that generate fees for services can also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Sales of inventory items by hospitals, colleges, and universities. Books and records maintained according to generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained according to those accounting principles for other types of organizations that file Form 990. Accordingly, **hospitals**, colleges, and universities can report, as program service revenue on line 2, sales of inventory items otherwise reportable on line 10a. In that event, enter the applicable cost of goods sold as program service expense in column (B) of Part IX. No other organizations should report sales of inventory items on line 2.

Common types of program service revenue.

- Medicare and Medicaid payments, and other government payments made to pay or reimburse the organization for medical services provided to individuals who qualify under a government program for the services provided, and who select the service provider. See Rev. Rul. 83-153, 1983-2 C.B. 48.
- Payments for medical services by patients and their guarantors.
- Fees and contracts from government agencies for a service, facility, or product that primarily benefited the government agencies.

Example 1. A payment by a governmental agency to a medical clinic to provide vaccinations to the general public is a contribution reported on line 1e. A payment by a governmental agency to a medical clinic to provide vaccinations to employees of the agency is program service revenue reported on line 2.

Example 2. A payment by a governmental agency to an organization to provide job training and placement for disabled individuals is a contribution reported on line 1e. A payment by a governmental agency to the same organization to operate the agency's internal mail delivery system is program service revenue reported on line 2.

- Income from program-related investments. Report interest, dividends, and other revenues from those investments made

Certain NAICS codes have changed based on the 2022 NAICS Census Chart.

primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that borrowed the funds to pursue the filing organization's exempt function.

- Membership dues and assessments received that compare reasonably with the membership benefits provided by the organization. Organizations described in section 501(c)(5), (6), or (7) generally provide benefits that have a reasonable relationship with dues.

Examples of membership benefits include:

- Subscriptions to publications,
- Newsletters (other than one only about the organization's activities),
- Free or reduced-rate admissions to events sponsored by the organization,
- Use of the organization's facilities, and
- Discounts on articles or services that members and nonmembers can buy.

For each amount entered on lines 2a through 2e, the organization must also enter a corresponding business activity code from Business Activity Codes*, later. If you don't see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at 2022 NAICS Census Chart. Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. For example, a credit union reporting income from consumer lending activities should use code 522291. Sales revenue from a museum gift shop should be reported with code 459420. An organization providing credit counseling services should use code 541990. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes doesn't imply that the activity is unrelated to the organization's exempt purpose.*

Line 3. Enter the gross amount of interest income from savings and temporary cash investments, dividend and interest income from equity and debt **securities** (stocks and bonds), and amounts received from payments on securities loans, as defined in section 512(a)(5), as well as interest from notes and loans receivable. Don't include unrealized gains and losses on investments carried at **FMV**. Don't deduct investment management fees from this amount, but report these fees on Part IX, line 11f.

Section 501(c)(21) trusts. Use line 3 to report income from "qualified investments" as defined in section 501(c)(21)(D)(ii) (public debt securities of the United States; obligations of a state or local government which are not in default as to principal or interest; and time or demand deposits in a bank (as defined in section 581) or an insured credit union (within the meaning of section 101(7) of the Federal Credit Union Act, 12 U.S.C. 1752(7)) located in the United States).

Line 4. Enter all investment income actually or constructively received from investing the **proceeds** of a tax-exempt **bond issue**, which are under the control of the organization. For this purpose, don't include any investment income received from investing proceeds that are technically under the control of the **governmental issuer**. For example, proceeds deposited into a **defeasance escrow** that is irrevocably pledged to pay the principal and interest (debt service) on a bond issue isn't under the control of the organization.

Line 5. Enter on line 5 royalties received by the organization from licensing the ongoing use of its property to others. Typically, royalties are received for the use of intellectual property, such as patents and trademarks. Royalties also include payments to the owner of the property for the right to exploit natural resources on the property, such as oil, natural gas, or minerals.

Line 6a. Enter on line 6a the rental income received for the year from investment property and any other real property rented by the organization. Allocate revenue to real property and personal property in the spaces provided. Don't include on line 6a rental income related to the filing organization's exempt function (program service). Report such income on line 2. For example, an exempt organization whose exempt purpose is to provide low-rental housing to persons with low income would report that rental income as program service revenue on line 2.

Only for purposes of completing this return, the filing organization must report any rental income received from an affiliated exempt organization as program service revenue on line 2.

Rental revenue can be from an activity that is related or unrelated to the organization's exempt purpose. In general, rents from real property are excluded in computing **unrelated business income**, while rental income from personal property is included. There are special rules when rents are received from personal property leased with real property (a mixed lease). In general, rental revenue from real property is excluded from unrelated business revenue when:

- The determination of the amount of such rents isn't based on income or net profits derived by any person from the property leased other than an amount based on a fixed percentage of the gross receipts or sales;
- The lease doesn't include personal services other than customary ones such as trash removal and cleaning of public areas;
- Any portion attributable to personal property is 10% or less of the total rent; and
- The real property isn't debt-financed within the meaning of section 512, 513, or 514. (Rent from debt-financed real property is generally includible in unrelated business income, but there can be exceptions based on use of the property. See Pub. 598.)

Rent received from leased personal property is generally taxable except when leased with real property, and the rent attributable to the personal property doesn't exceed 10% of the total rents from all leased property.

Line 6b. Enter on line 6b the expenses paid or incurred for the income reported on line 6a. Include interest related to rental property and depreciation if it is recorded in the organization's books and records. If the organization reported on line 2 any rental income reportable as program service revenue, report any rental expense allocable to such activity on the applicable lines of Part IX, column (B).

Line 6c. Subtract line 6b from line 6a for both columns (i) and (ii) and enter on line 6c. Show any loss in parentheses.

Line 6d. Add line 6c, columns (i) and (ii), and enter on line 6d. Show any loss in parentheses.

Lines 7a through 7d. Enter on lines 7a through 7c all sales of **securities** in column (i). Use column (ii) to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other non-inventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).

On line 7a, for each column, enter the total gross sales price of all such assets. Total the cost or other basis (less depreciation) and selling expenses and enter the result on line 7b. On line 7c, enter the gain or loss. Show any loss in parentheses.

On lines 7a and 7c, also report capital gains dividends, the organization's share of capital gains and losses from a **joint venture**, and capital gains distributions from trusts.

Combine the gain or loss figures reported on line 7c, columns (i) and (ii), and report that total on line 7d. Show any loss in parentheses. Don't include any unrealized gains or losses on **securities** carried at **FMV** in the books of account.

For reporting sales of securities on Form 990, the organization can use the more convenient average cost basis method to figure the organization's gain or loss. When a security is sold, compare its sales price with the average cost basis of the particular security to determine gain or loss. However, for reporting sales of securities on Form 990-T, don't use the average cost basis to determine gain or loss.

The organization should maintain books and records to substantiate information about any securities or other assets sold for which market quotations weren't published or weren't otherwise readily available. The recorded information should include:

- A description of the asset;
- Date acquired;
- Whether acquired by donation or purchase;
- Date sold and to whom sold;
- Gross sales price;
- Cost, other basis, or, if donated, value at time acquired;
- Expense of sale and cost of improvements made after acquisition; and
- Depreciation since acquisition, if depreciable property.

Line 8a. Enter in the line 8a box the gross income from fundraising events, not including the amount of contributions from fundraising events reported on line 1c. Report the line 1c amount in the line 8a parenthetical. If the sum of the amounts reported on line 1c and the line 8a box exceeds $15,000, then the organization must answer “Yes” on Part IV, line 18, and complete Schedule G (Form 990), Part II. If gaming is conducted at a fundraising event, the income and expenses must be allocated between the gaming and the fundraising event on Form 990, Part VIII; report all income from gaming on line 9a.

Compute the organization's gross income from fees, ticket sales, or other revenue from **fundraising events**.

Fundraising events include:	**Fundraising events don't include:**
• Dinners/dances,	• Sales or gifts of goods or services of only nominal value,
• Door-to-door sales of merchandise,	• Raffles or lotteries in which prizes have only nominal value, and
• Concerts,	• Solicitation campaigns that generate only **contributions**.
• Carnivals,	
• Sports events, and	Proceeds from these activities are considered contributions and should be reported on line 1f.
• Auctions.	

Fundraising events don't include events or activities that substantially further the organization's exempt purpose even if they also raise funds. Revenue from such program service activities is reported on line 2.

Example. An organization formed to promote and preserve folk music and related cultural traditions holds an annual folk music festival featuring concerts, handcraft demonstrations, and similar activities. Because the festival directly furthers the organization's exempt purpose, income from ticket sales should be reported on line 2 as program service revenue.

Fundraising events sometimes generate both **contributions** and income, such as when an individual pays more than the retail value for the goods or services furnished. Report in parentheses the total amount from fundraising events that represents contributions rather than payment for goods or services. Treat the following as contributions.

- Amounts paid in excess of retail value of goods or services furnished. See *Example*, earlier, under *Line 1c*.
- Amounts received from fundraising events when the organization gives items of only nominal value to recipients. See Pub. 1771.

Example. In return for a contribution of any amount, donors receive a keychain with the organization's logo. All amounts received should be reported as contributions on line 1f and all associated expenses on the appropriate lines in Part IX, column (D). In such a case, no amounts would be reported on line 8.

Line 8b. Enter on this line both the cost or other basis of any items sold at the events and the expenses that relate directly to the production of the revenue portion of the fundraising activity, whether incurred before, during, or after the event. In the line 1c dinner example referred to earlier, the cost of the food and beverages served and invitation to the dinner would be among the items reported on line 8b. Indirect fundraising expenses, such as certain advertising expenses associated with raising these **contributions**, must be reported on the appropriate lines in Part IX, column (D), and not on line 8b.

Line 8c. Enter on line 8c the difference between lines 8a and 8b. Show any loss in parentheses. The organization must report net income from **fundraising events** as unrelated business revenue (column (C)) or as revenue excluded from tax under section 512, 513, or 514 (column (D)).

Example 1. If an organization receives a donation of a home theater system with an **FMV**of $5,000 at the time of donation; sells the system for $7,500 at an auction, after having displayed the system and its FMV (which remains $5,000) at and before auction so that its value was known to the bidders; and incurs $500 in costs related to selling the system at auction, it should report the following amounts in Part VIII:

Line 1c (**contributions** from fundraising events):	$2,500
Line 1f (all other contributions):	$5,000
Line 1g (noncash contributions):	$5,000
Line 8a (gross income from fundraising events):	$5,000
Line 8a parenthetical (contributions reported on line 1c):	$2,500
Line 8b (direct expenses: $5,000 **FMV** on donation date + $500 in auction costs):	$5,500
Line 8c (net income from fundraising event, line 8a minus line 8b):	($500)

Example 2. If the home theater system in *Example 1* sold at auction for $2,500 instead of $7,500, and all other facts in *Example 1* remain the same, then the organization should report the following amounts in Part VIII:

Line 1c (**contributions** from fundraising events):	$0
Line 1f (all other contributions):	$5,000
Line 1g (noncash contributions):	$5,000
Line 8a (gross income from fundraising events):	$2,500
Line 8a parenthetical (contributions reported on line 1c):	$0
Line 8b (direct expenses: $5,000 FMV on donation date + $500 in auction costs):	$5,500
Line 8c (net income from fundraising event, line 8a minus line 8b):	($3,000)

In both *Example 1* and *Example 2*, the organization would need to report the $5,000 value of this contribution on Schedule M (Form 990) if it received over $25,000 in total noncash contributions during the **tax year**.

Line 9a. Line 9a should include only gross income from **gaming** activities. It shouldn't include **contributions** from gaming activities, which should be reported on line 1f. Organizations that report more than $15,000 on line 9a must also answer "Yes" on Part IV, line 19, and complete Part III of Schedule G (Form 990).

Types of gaming include, but aren't limited to:	
- **Bingo**	- Nevada Club tickets
- **Pull tabs**	- Certain Casino nights
- **Instant bingo**	- Certain Las Vegas nights
- Raffles	- Coin-operated gambling devices including:
- Scratch-offs	• Slot machines
- Charitable **gaming** tickets	• Electronic video slot or line games
- Break-opens	• Video poker
- Hard cards	• Video blackjack
- Banded tickets	• Video keno
- Jar tickets	• Video **bingo**
- Pickle cards	• Video **pull tab** games

Many games of chance are taxable. Income from **bingo** games isn't generally subject to the tax on unrelated business income if the games meet the legal definition of bingo. For a game to meet the legal definition of bingo, wagers must be placed, winners must be determined, and prizes or other property must be distributed in the presence of all persons placing wagers in that game.

A wagering game that doesn't meet the legal definition of bingo doesn't qualify for the exclusion, regardless of its name. For example, **instant bingo**, in which a player buys a pre-packaged bingo card with **pull tabs** that the player removes to determine if she or he is a winner, doesn't qualify. See Pub. 598.

Line 9b. Enter on this line the expenses that relate directly to the production of the revenue portion of the **gaming** activity.

Direct expenses of gaming include:

- Cash prizes;
- Noncash prizes;
- Compensation to **bingo** callers and workers;
- Rental of gaming equipment; and
- Cost of gaming supplies such as **pull tabs**, bingo cards, etc.

Line 9c. Enter the difference between lines 9a and 9b. Show any loss in parentheses.

Line 10a. Enter the organization's gross income from sales of inventory items, less returns and allowances. Sales of inventory items reportable on line 10a are sales of items that are donated to the organization, that the organization makes to sell to others, or that it buys for resale. Sales of inventory don't, however, include the sale of goods related to a **fundraising event**, which must be reported on line 8. Sales of investments on which the organization expected to profit by appreciation and sale aren't reported here. Report sales of investments on line 7.

The organization must report the sales revenue regardless of whether the sales activity is an exempt function of the organization or an **unrelated trade or business**.

Line 10b. Enter the cost of goods sold related to the sales of inventory. The usual items included in cost of goods sold are direct and indirect labor, materials and supplies consumed, freight-in, and a portion of overhead expenses. Marketing and distribution costs aren't included in the cost of goods sold but are reported as expenses in Part IX. For purposes of Part VIII, the organization may include as cost of donated goods their **FMVs**at the time of acquisition.

Line 10c. Enter in the appropriate columns (A) through (D) the net income or (loss) from the sale of inventory items. Show any loss in parentheses.

Line 11. Enter all other types of revenue not reportable on lines 1 through 10. Enter the three largest sources on lines 11a through 11c and all other revenue on line 11d.

TIP *For each amount entered on lines 11a, 11b, and 11c, the organization must also enter a corresponding business activity code from* Business Activity Codes*, later. If you don't see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at 2022 NAICS Census Chart. Select the most specific 6-digit code available that describes the activity producing the income. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity. If none of the listed codes accurately describe the activity, enter "900099." Use of these codes doesn't imply that the activity is unrelated to the organization's exempt purpose.*

Line 12. For column (A), add lines 1h, 2g, 3 through 5, 6d, 7d, 8c, 9c, 10c, and 11e. For columns (B) through (D), add lines 2a through 2f, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11a through 11d. The amounts reported on line 12 in columns (B), (C), and (D), plus the amount reported on line 1h, should equal line 12, column (A).

Part IX. Statement of Functional Expenses

Check the box in the heading of Part IX if Schedule O (Form 990) contains any information pertaining to this part.

Use the organization's normal accounting method to complete this section. If the organization's accounting system doesn't allocate expenses, the organization can use any reasonable method of allocation. The organization must report amounts accurately and document the method of allocation in its records. Report any expense described on lines 1–23 on the appropriate line; don't report such expense on line 24. Don't report in Part IX expenses that must be reported on line 6b, 7b, 8b, 9b, or 10b in Part VIII.

Column (A)—Total

Section 501(c)(3) and 501(c)(4) organizations must complete columns (A) through (D).

All other organizations must complete column (A) but can complete columns (B), (C), and (D).

State reporting requirements can be different from IRS reporting requirements applicable to Part IX.

Column (B)—Program Services

Program services are mainly those activities that further the organization's exempt purposes. Fundraising expenses shouldn't be reported as program service expenses even though one of the organization's purposes is to solicit **contributions**.

Include **lobbying** expenses in this column if the lobbying is directly related to the organization's exempt purposes.

Example. Foundation M, an organization exempt under section 501(c)(3), has the exempt purpose of improving health care for senior citizens. Foundation M operates in State N. The legislature of State N is considering legislation to improve funding of health care for senior citizens. Foundation M lobbies state legislators in support of the legislation. Since this lobbying is directly related to Foundation M's exempt purpose, it would be considered an exempt function expense, and would be included under column (B).

Program services can also include the organization's **unrelated trade or business** activities. Publishing a magazine is a program service even though the magazine contains both editorials and articles that further the organization's exempt purpose as well as advertising, the income from which is taxable as **unrelated business income**.

Also include costs to secure a grant, or contract, to conduct research, produce an item, or perform a program service, if the activities are conducted to meet the grantor's or other contracting party's specific needs. Don't report these costs as fundraising expenses in column (D). Costs to solicit restricted or unrestricted grants to provide services to the general public should be reported in column (D).

Column (C)—Management and General

Use column (C) to report expenses that relate to the organization's overall operations and management, rather than to **fundraising activities** or program services. Overall management usually includes the salaries and expenses of the organization's CEO and his or her staff, unless a part of their time is spent directly supervising program services or fundraising activities. In that case, their salaries and expenses should be allocated among management, fundraising, and program services.

Expenses incurred to manage investments must be reported in column (C). **Lobbying** expenses should be reported in this column if they don't directly relate to the organization's exempt purposes.

Organizations must also report the following in column (C): costs of board of directors' meetings; committee meetings and staff meetings (unless they involve specific program services or fundraising activities); general legal services; accounting (including patient accounting and billing); general liability insurance; office management; auditing, human resources, and other centralized services; preparation, publication, and distribution of an annual report; and management of investments.

However, report expenses related to the production of program-related income in column (B) and expenses related to the production of rental income on Part VIII, line 6b. Rental expenses incurred for the organization's office space or facilities are reported on line 16.

Don't use this column to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)—Fundraising

Fundraising expenses are the expenses incurred in soliciting cash and noncash **contributions**, gifts, and grants. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in (a) publicizing and conducting fundraising campaigns; and (b) soliciting bequests and grants from individuals, foundations, other organizations, or **governmental units** that are reported on Part VIII, line 1. This includes expenses incurred in participating in federated fundraising campaigns; preparing and distributing fundraising manuals, instructions, and other materials; and preparing to solicit or receive contributions. Report direct expenses of fundraising events on Part VIII, line 8b, rather than in Part IX, column (D). However, report indirect expenses of fundraising events, such as certain advertising expenses, in Part IX, column (D), rather than on Part VIII, line 8b.

Example. For an employee who works on fundraising 40% of the time and program management 60% of the time, an organization must allocate that employee's salary 40% to fundraising and 60% to program service expenses. It can't report the 100% of salary as program expenses simply because the employee spent over 50% of his time on program management.

Allocating Indirect Expenses

Direct costs are expenses that can be identified specifically with an organization's activity or project, and can be assigned to an activity or project with a high degree of accuracy. Indirect costs are costs that can't be identified specifically with an activity or project. For example, a computer bought by a university specifically for a research project is a direct cost. In contrast, the costs of software licensing for programs that run on all the university's computers are indirect costs.

Colleges, universities, hospitals, and other organizations that incur indirect expenses in various cost centers (such as organizational memberships, books and subscriptions, and regular telecommunications costs) can allocate and report such expenses in the following manner.

1. Report the expenses of all indirect cost centers in column (C), lines 5 through 24.

2. As a separate line item of line 24, enter "Allocation of [name of indirect cost center] expenses."

a. If any of the cost center's expenses are allocated to expenses listed in Part VIII such as the expenses attributable to **fundraising events** and activities, enter such expenses as a negative figure in columns (A) and (C).

b. Allocate expenses to column (B) or (D) as positive amounts.

c. Add the amounts in columns (B) and (D) and enter the sum as a negative offsetting amount in column (C). Don't make any entries in column (A) for these offsetting entries.

Example. An organization reports in column (C) $50,000 of its actual management and general expenses and $100,000 of expenses of an indirect cost center that are allocable in part to other functions. The total of lines 5 through 24 of column (C) would be $150,000 before the indirect cost center allocations were made. Assume that of the $100,000 total expenses of the cost center, $10,000 was allocable to fundraising; $70,000 to various program services; $15,000 to management and general functions; and $5,000 to special events and activities. To report this in Part IX under this optional method:

1. Indicate the cost center, the expenses of which are being allocated, on line 24 as "Allocation of [specify the indirect cost center] expenses";

2. Enter a decrease of $5,000 on the same line in column (A), *Total expenses*, representing the fundraising event expenses that were already reported in Part VIII, line 8b;

3. Enter $70,000 on the same line in column (B), *Program service expenses*;

4. Enter $10,000 on the same line in column (D), *Fundraising expenses*; and

5. Enter a decrease of $85,000 on the same line in column (C), *Management and general expenses*, to represent the allocations to functional areas other than management and general.

After making these allocations, the column (C), line 25, total functional expenses would be $65,000, consisting of the $50,000 actual management and general expense amount and the $15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a one-step allocation that shows how to report the allocation in Part IX. This reporting method would actually be more useful to avoid multiple-step allocations involving two or more cost centers. Without this optional reporting method, the total expenses of the first cost center would be allocated to the other functions, and might include an allocation of part of these expenses to another cost center. The expenses of the second cost center would then be allocated to other functions and, perhaps, to other cost centers, and so on. The greater the number of these cost centers that are allocated out, the more difficult it is to preserve the object classification identity of the expenses of each cost center (for example, salaries, interest, supplies, etc.). Using the reporting method described above avoids this problem.

The intent of the above instructions is only to facilitate reporting indirect expenses by both object classification and function. These instructions don't authorize the allocation to other functions of expenses that should be reported as management and general expenses.

Grants and Other Assistance to Governments, Organizations, and Individuals

Organizations should report the amount of **grants and other assistance** on lines 1 through 3. Report expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award on lines 5 through 24. See the following instructions.

Note. Organizations can report this information according to **ASC 958** but aren't required to do so. For example, an organization that follows **ASC 958** and makes a grant during the **tax year** to be paid in future years should report the grant's present value on this year's Form 990 and report accruals of additional value increments in future years.

Line 1. Enter the amount that the organization, at its own discretion, paid in grants to domestic organizations and domestic governments. United Way and similar federated fundraising organizations should report grants to member or participating agencies on line 1. Organizations must report voluntary grants to state or local affiliates for specific (restricted) purposes or projects on line 1.

If the organization reported on line 1 more than $5,000 of **grants or other assistance** to any **domestic organization** or to any **domestic government**, the organization must complete Parts I and II of Schedule I (Form 990), Grants and Other Assistance to Organizations, Governments, and Individuals in the United States.

Section 501(c)(21) trusts. Use line 1 to report amounts paid by the trust to:

- The Federal Black Lung Disability Trust Fund pursuant to section 3(b)(3) of Public Law 95-227, or
- For insurance exclusively covering liabilities under sections 501(c)(21)(A)(i)(I) and 501(c)(21)(A)(i)(IV). For details, see Regulations section 1.501(c)(21)-1(d).

Line 2. Enter the amount paid by the organization to **domestic individuals** in the form of scholarships, fellowships, stipends, research grants, and similar payments and distributions.

Also include **grants and other assistance** paid to third-party providers for the benefit of specified **domestic individuals**. For example, a grant payment to a **hospital** to cover the medical expenses of a specific patient must be reported on line 2. By comparison, a grant to the same hospital to provide services to the general public or to unspecified charity patients must be reported on line 1.

If line 2 exceeds $5,000, the organization must complete Parts I and III of Schedule I (Form 990).

Section 501(c)(21) trusts. Use line 2 to report amounts paid by the trust to or for the benefit of miners or their beneficiaries.

Line 3. The organization must enter the total amount of **grants and other assistance** made to foreign organizations, foreign governments, and foreign individuals, and to **domestic organizations** or **domestic individuals** for the purpose of providing grants or other assistance to designated **foreign organizations** or **foreign individuals**.

If line 3 exceeds $5,000, the organization may have to complete Part II and/or Part III of Schedule F (Form 990), Statement of Activities Outside the United States. See the Instructions for Schedule F (Form 990) for more information.

Line 4. Enter the payments made by the organization to provide benefits to members (such as payments made by an organization exempt under section 501(c)(8), 501(c)(9), or 501(c)(17) to obtain insurance benefits for members, or patronage dividends paid by section 501(c)(12) organizations to their members). Don't report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its **officers, directors, trustees, key employees,** and other **employees**. Report such costs for officers, directors, trustees, and key employees on Part IX, line 5; report such costs for other disqualified persons on Part IX, line 6; and report such costs for other employees on Part IX, lines 8 and 9.

Line 5. Enter the total **compensation** paid to current **officers, directors, trustees,** and **key employees** (as defined in Part VII, earlier) for the organization's **tax year**. Compensation includes all forms of income and other benefits earned or

Allocating Indirect Expenses—Example

Line	(A)	(B)	(C)	(D)
5–24a	$150,000	-	$150,000	-
24b Allocation of $100,000 indirect cost center expenses reported in (C)	(5,000)	70,000	(85,000)	10,000
25	$145,000	$70,000	$65,000	$10,000

received from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization, including compensation reported on Forms W-2 and 1099, pension plan contributions and accruals, and other employee benefits, but doesn't include non-compensatory expense reimbursements or allowances. Report all compensation amounts relating to such an individual, including those related to services performed in a capacity other than as an officer, director, trustee, or key employee.

TIP ***Compensation*** *for Part IX is reported based on the accounting method and* ***tax year*** *used by the organization, rather than the definitions and calendar year used to complete Part VII or Schedule J (Form 990) regarding compensation of certain* ***officers, directors, trustees,*** *and other* ***employees****.*

Note. To the extent the following examples discuss allocation of expenses in columns (B), (C), and (D), they apply only to filers required to complete those columns.

Line 6. Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must report the total **compensation** and other distributions provided to **disqualified persons** and persons described in section 4958(c)(3)(B) to the extent not included on line 5. See *Appendix G*.

Compensation includes all forms of income and other benefits earned or received from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization, including compensation reported on Forms W-2 and 1099, pension plan contributions and accruals, and other employee benefits, but doesn't include non-compensatory expense reimbursements or allowances.

Line 7. Enter the total amount of **employee** salaries, wages, fees, bonuses, severance payments, and similar amounts paid or provided from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization that aren't reported on line 5 or 6.

Line 8. Enter the employer's share of contributions to, or accruals under, qualified and nonqualified pension and deferred compensation plans for the year. The organization should include contributions made by the filing organization, common paymasters, and payroll/reporting agents to the filing organization's sections 401(k) and 403(b) pension plans on behalf of **employees**. However, it shouldn't include contributions to qualified pension, profit-sharing, and stock bonus plans under section 401(a) solely for the benefit of current or former **officers, directors, trustees, key employees,** or **disqualified persons**, which are reportable on line 5 or 6.

TIP *Complete Form 5500 for the organization's plan and file it as a separate return. If the organization has more than one pension plan, complete a Form 5500 for each plan. File the form by the last day of the 7th month after the plan year ends.*

Line 9. Other employee benefits. Enter contributions by the filing organization, common paymasters, and payroll/reporting agents to the filing organization's employee benefit programs (such as insurance, health, and welfare programs that aren't an incidental part of a pension plan included on line 8), and the cost of other employee benefits.

For example, report expenses for employee events such as a picnic or holiday party on line 9. Don't include **contributions** on behalf of current or former **officers, directors, trustees, key employees**, or other persons that were included on line 5 or 6.

Line 10. Payroll taxes. Enter the amount of federal, state, and local payroll taxes for the year but only those taxes that are imposed on the organization as an employer. This includes the employer's share of social security and Medicare taxes, the federal unemployment tax (FUTA), state unemployment compensation taxes, and other state and local payroll taxes. Don't include on line 10 taxes withheld from employees' salaries and paid to various governmental units such as federal, state, and local income taxes and the employees' shares of social security and Medicare taxes. Such withheld amounts are reported as compensation.

Line 11. Fees for services paid to nonemployees (independent contractors). Enter on lines 11a through 11g amounts for services provided by **independent contractors** for management, legal, accounting, lobbying, **professional fundraising services**, investment management, and other services, respectively. Include amounts whether or not a Form 1099 was issued to the **independent contractor**. Don't include on line 11 amounts paid to or earned by **employees**, officers, directors, trustees, or disqualified persons for these types of services, which must be reported on lines 5 through 7.

If the organization is able to distinguish between fees paid for independent contractor services and expense payments or reimbursements to the contractor(s), report the fees paid for services on line 11 and the expense payments or reimbursements on the applicable lines in Part IX (including line 24 if no other line is applicable). If the organization is unable to distinguish between service fees and expense payments or reimbursements, report all such amounts on line 11.

Line 11a. Management fees. Enter the total fees charged for management services provided by outside firms and individuals.

Line 11b. Legal fees. Enter the total legal fees charged by outside firms and individuals. Don't include any penalties, fines, settlements, or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 24. Report any amounts for lobbying services provided by attorneys on line 11d.

Line 11c. Accounting fees. Enter the total accounting and auditing fees charged by outside firms and individuals.

Line 11d. Lobbying fees. Enter amounts for activities intended to influence foreign, national, state, or local legislation, including direct **lobbying** and grassroots lobbying.

Line 11e. Professional fundraising fees. Enter amounts paid for **professional fundraising services**, including solicitation campaigns and advice or other consulting services supporting in-house fundraising campaigns. If the organization is able to distinguish between fees paid for professional fundraising services and amounts paid for fundraising expenses such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, then fees paid for professional fundraising services should be reported on line 11e and amounts paid for fundraising expenses should be reported on line 24 as other expenses. If the organization is unable to distinguish between these amounts, it should report all such fees and amounts on line 11e.

Line 11f. Investment management fees. Enter amounts for investment counseling and portfolio management. Monthly account service fees are considered portfolio management expenses, and must be reported here. Don't include transaction costs such as brokerage fees and commissions, which are considered sales expenses and are included on Part VIII, line 7b.

Line 11g. Other fees for services. Enter amounts for other **independent contractor** services not listed on lines 11a through 11f. For example, amounts paid to an independent contractor for advocacy services that don't constitute lobbying should be reported here. For health care organizations, payments to health care professionals who are independent

contractors are reported on line 11g. Report on line 11g payments to payroll agents, common paymasters, and other third parties for services provided by those third parties to the filing organization. Report on lines 5–10, as appropriate, payments that reimburse third parties for compensation to the organization's **officers, directors, trustees, key employees,** or other **employees**. Report payments to contractors for information technology services on line 14, rather than on line 11g.

If the amount on line 11g exceeds 10% of the amount on line 25, column (A), the organization must list the type and amount of each line 11g expense on Schedule O (Form 990).

Line 12. Advertising and promotion expenses. Enter amounts paid for advertising. Include amounts for print and electronic media advertising. Also include Internet site link costs, signage costs, and advertising costs for the organization's in-house fundraising campaigns. Include fees paid to independent contractors for advertising, except for fees paid to **independent contractors** for conducting professional **fundraising** services or campaigns, which are reported on line 11e.

Line 13. Office expenses. Enter amounts for supplies (office, classroom, or other supplies); telephone (cell phones and landlines) and facsimile; postage (overnight delivery, parcel delivery, trucking, and other delivery expenses) and mailing expenses; shipping materials; equipment rental; bank fees; and other similar costs. Also include printing costs of a general nature. Printing costs that relate to conferences or conventions must be reported on line 19.

Line 14. Information technology. Enter amounts for information technology, including hardware, software, and support services such as maintenance, help desk, and other technical support services. Also include expenses for infrastructure support, such as website design and operations, virus protection and other information security programs and services to keep the organization's website operational and secured against unauthorized and unwarranted intrusions, and other information technology contractor services. Report payments to information technology employees on lines 5 through 10. Report depreciation/amortization related to information technology on line 22.

Line 15. Royalties. Enter amounts for royalties, license fees, and similar amounts that allow the organization to use intellectual property such as patents and copyrights.

Line 16. Occupancy. Enter amounts for the use of office space or other facilities, including rent; heat, light, power, and other utilities expenses; property insurance; real estate taxes; mortgage interest; and similar occupancy-related expenses. Don't include on line 16 expenses reported as office expenses (such as telephone expenses) on line 13.

Don't net any rental income received from leasing or subletting rented space against the amount reported on line 16 for occupancy expenses. If the tenant's activities are related to the organization's exempt purpose, report rental income as program service revenue on Part VIII, line 2, and allocable occupancy expenses on line 16. However, if the tenant's activities aren't program related, report the rental income on Part VIII, line 6a, and related rental expenses on Part VIII, line 6b.

Don't include employee salaries or depreciation as occupancy expenses. These expenses are reported on lines 5 through 7 and 22, respectively.

Line 17. Travel. Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments. Travel costs include the expenses of purchasing, leasing, operating, and repairing any vehicles owned by the organization and used for the organization's activities. However, if the organization leases vehicles on behalf of its executives or other employees as part of an executive or employee compensation program the leasing costs are considered employee compensation and are reported on lines 5 through 7.

Line 18. Payments of travel or entertainment expenses for any federal, state, or local public officials. Enter total amounts for travel or entertainment expenses (including reimbursement for such costs) for any federal, state, or local public officials (as determined under section 4946(c)) and their family members (as determined under section 4946(d)). Report amounts for a particular public official only if aggregate expenditures for the year relating to such official (including family members of such official) exceed $1,000 for the year.

For expenditures that aren't specifically identifiable to a particular individual, the organization can use any reasonable allocation method to estimate the cost of the expenditure to an individual. Amounts not described above can be included in the reported total amount for line 18 or can be reported on line 24. The organization is responsible for keeping records of all travel and entertainment expenses related to a **government official** whether or not the expenses are reported on line 18 or line 24.

Line 19. Conferences, conventions, and meetings. Enter the total expenses incurred by the organization in conducting meetings related to its activities. Include such expenses as facility rentals, speakers' fees and expenses, and printed materials. Include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, conventions, and meetings conducted by other organizations. Travel expenses incurred by **officers, directors,** and **employees** attending such conferences, conventions, and meetings must be reported on line 17.

Line 20. Interest. Enter the total interest expense for the year. Don't include any interest attributable to rental property (reported on Part VIII, line 6b) or any mortgage interest (reported as an occupancy expense on line 16).

Line 21. Payments to affiliates. Enter certain types of payments to organizations affiliated with (closely related to) the filing organization.

Payments to affiliated state or national organizations. Dues paid by a local organization to its affiliated state or national (parent) organization are reported on line 21. Report on this line predetermined quota support and dues (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes, that is, general use of funds for the national organization's own program and support services.

Purchases from affiliates. Purchases of goods or services from affiliates aren't reported on line 21 but are reported as expenses in the usual manner.

Expenses for providing goods or services to affiliates. In addition to payments made directly to affiliated organizations, expenses for providing goods or services to affiliates can be reported on line 21 if:

- The goods or services provided aren't related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and
- The costs involved aren't connected with the management and general or fundraising functions of the filing organization. For example, when a local organization gives a copy of its mailing list to the state or national organization, the expense of preparing the copy provided can be reported on line 21, but not the expenses of preparing and maintaining the local organization's master list.

Voluntary awards or grants to affiliates. Don't report on line 21 voluntary awards or grants made by the organization to its state or national organizations for specified purposes.

Membership dues paid to other organizations. Report membership dues paid to obtain general membership benefits from other organizations, such as regular services, publications, and other materials, on line 24. This is the case if a charitable organization pays dues to a trade association comprised of otherwise unrelated members.

TIP *Properly distinguishing between payments to affiliates and grants and allocations is especially important if the organization uses Form 990 for state reporting purposes. If the organization uses Form 990 only for reporting to the IRS, payments to affiliated or national organizations that don't represent membership dues reportable as miscellaneous expenses on line 24 can be reported on either line 21 or line 1.*

Line 22. Depreciation, depletion, and amortization. If the organization records depreciation, depletion, amortization, or similar expenses, enter the total on line 22. Include any depreciation or amortization of leasehold improvements and intangible assets. An organization isn't required to use the Modified Accelerated Cost Recovery System (MACRS) to compute depreciation reported on Form 990. For an explanation of acceptable methods for computing depreciation, see Pub. 946, How To Depreciate Property. If an amount is reported on this line, the organization is required to maintain books and records to substantiate any amount reported.

Line 23. Insurance. Enter total insurance expenses other than insurance attributable to rental property (reported on Part VIII, line 6b). Don't report on this line payments made by organizations exempt under section 501(c)(8), (9), or (17) to obtain insurance benefits for members. Report those expenses on line 4. Don't report on this line the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to or for its **officers, directors, trustees, key employees,** and other **employees**. Report the costs for officers, directors, trustees, and key employees on Part IX, line 5; report the costs for other disqualified persons on Part IX, line 6; and report the costs for other employees on Part IX, line 9. Report the costs for members on Part IX, line 4, not on Part IX, line 23. Don't report on this line property or occupancy-related insurance. Report those expenses on line 16.

Line 24. Other expenses. Enter the types and amounts of expenses which weren't reported on lines 1 through 23. Include expenses for medical supplies incurred by health care/medical organizations. Include payments by the organization to professional fundraisers of fundraising expenses such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, if the organization is able to distinguish these expense amounts from fees for professional fundraising services reportable on line 11e. Enter the four largest dollar amounts on lines 24a through 24d and the total of all remaining miscellaneous expenses on line 24e. Don't include a separate entry for “miscellaneous expenses,” “program expenses,” “other expenses,” or a similar general category on lines 24a–d. If the amount on line 24e exceeds 10% of the amount on line 25, column (A), the organization must list the type and amount of each line 24e expense on Schedule O (Form 990).

The organization must separately report the amount, if any, of **unrelated business income** taxes that it paid or accrued during the **tax year** on line 24.

Line 25. Total functional expenses. Section 501(c)(3) and 501(c)(4) organizations. Add lines 1 through 24e and enter the totals on line 25 in columns (A), (B), (C), and (D).

All other organizations. Add lines 1 through 24e and enter the total on line 25 in column (A).

Line 26. Joint costs. Organizations that included in program service expenses (column (B) of Part IX) any joint costs from a combined educational campaign and fundraising solicitation must disclose how the total joint costs of all such combined activities were allocated in Part IX between education and fundraising. For instance, if the organization spent $100,000 on joint costs and allocated 10% to education, it would report $100,000 on line 26, column (A); $10,000 in column (B); and $90,000 in column (D). Any costs reported here aren't to be deducted from the other lines in Part IX on which they are reported. Don't check the box unless the organization followed SOP 98-2 (FASB ASC 958-720) in allocating such costs.

An organization conducts a combined educational campaign and fundraising solicitation when it solicits **contributions** (by mail, telephone, broadcast media, or any other means) and includes, with the solicitation, educational material or other information that furthers a bona fide non-fundraising exempt purpose of the organization.

Expenses attributable to providing information regarding the organization itself, its use of past contributions, or its planned use of contributions received are fundraising expenses and must be reported in column (D). Don't report such expenses as program service expenses in column (B).

Any method of allocating joint costs between columns (B) and (D) must be reasonable under the facts and circumstances of each case. Most states with reporting requirements for charitable organizations and other organizations that solicit contributions either require or allow reporting of joint costs under AICPA Statement of Position 98-2 (SOP 98-2), Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising, now codified in FASB Accounting Standards Codification 958-720, Not-for-Profit Entities—Other Expenses (FASB ASC 958-720).

Part X. Balance Sheet

Check the box in the heading of Part X if Schedule O (Form 990) contains any information pertaining to this part.

Section 501(c)(21) trusts. Use Schedule O (Form 990) to report the **FMV**of the trust's assets at the beginning of the mine operator's tax year within which the trust's tax year begins.

All organizations must complete Part X. No substitute balance sheet will be accepted. All references to Schedule D are to Schedule D (Form 990).

Column (A)—Beginning of year. In column (A), enter the amount from the preceding year's Form 990, column (B). If the organization was excepted from filing Form 990 for the preceding year, enter amounts the organization would have entered in column (B) for that year. If this is the organization's first year of existence, enter zeros on lines 16, 26, 32, and 33 in column (A).

Column (B)—End of year. When Schedule D (Form 990) reporting is required for any item in Part X, it is only for the end-of-year balance sheet figure reported in column (B). If this is the organization's final return, enter zeros on lines 16, 26, 32, and 33 in column (B).

Line 1. Cash (non-interest-bearing). Enter the total funds that the organization has in cash, including amounts held as “petty cash” at its offices or other facilities, and amounts held in banks in non-interest-bearing accounts. Don't include cash balances held in an investment account with a financial institution and reported on lines 11 through 13.

Line 2. Savings and temporary cash investments. Enter the combined total of amounts held in interest-bearing checking and

savings accounts, deposits in transit, temporary cash investments (such as money market funds, commercial paper, and certificates of deposit), and U.S. Treasury bills or other governmental obligations that mature in less than a year. Don't include cash balances held in an investment account with a financial institution and reported on lines 11 through 13. Don't include advances to **employees** or **officers** or refundable deposits paid to suppliers or other **independent contractors**. Report the income from these investments on Part VIII, line 3.

Line 3. Pledges and grants receivable, net. Enter the total of (a) all pledges receivable, less any amounts estimated to be uncollectible, including pledges made by **officers**, **directors**, **trustees**, **key employees,** and **highest compensated employees**; and (b) all grants receivable.

Organizations that follow **ASC 958** can report the present value of the grants receivable as of each balance sheet date.

Line 4. Accounts receivable, net. Enter the organization's total accounts receivable (reduced by any allowance for doubtful accounts) from the sale of goods and the performance of services. Report claims against vendors or refundable deposits with suppliers or others here, if not significant in amount. Otherwise, report them on line 15, Other assets. Report the net amount of all receivables due from **officers, directors, trustees,** or **key employees** on line 5. Report receivables (including loans and advances) due from other disqualified persons on line 6. Receivables (including loans and advances) from **employees** who aren't current or former officers, directors, trustees, key employees, or **disqualified persons** must be reported on line 7.

Lines 5 and 6. Loans and other receivables from current and former officers, directors, trustees, key employees, and creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons. Report on line 5 loans and other receivables due from current or former **officers, directors, trustees, key employees,** and **creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons**. Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must also report on line 6 receivables due from other **disqualified persons** (for purposes of section 4958, see *Appendix G*), and from persons described in section 4958(c)(3)(B). Include all amounts owed on secured and unsecured loans made to such persons. Report interest from such receivables on Part VIII, line 11. Don't report on line 5 or 6 (a) pledges or grants receivable, which are to be reported on line 3; or (b) receivables that are excepted from reporting on Schedule L (Form 990), Part II (except for **excess benefit transactions** involving receivables). If the organization must report loans and other receivables on either line 5 or 6, it must answer “Yes” on Part IV, line 26.

Line 7. Notes and loans receivable, net. Enter the net amount of all notes receivable and loans receivable not listed on lines 5 and 6, including receivables from unrelated third parties. The term “unrelated third parties” includes **independent contractors** providing goods or services and **employees** who aren't current or former **officers, directors, trustees, key employees, highest compensated employees,** or **disqualified persons**. Don't include the following.

- Receivables reported on line 4.
- Program-related investments reported on line 13.
- Notes receivable acquired as investments reported on line 12.

Line 8. Inventories for sale or use. Enter the amount of materials, goods, and supplies held for future sale or use, whether purchased, manufactured by the organization, or donated.

Line 9. Prepaid expenses and deferred charges. Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, or pension costs, and expenses incurred for a solicitation campaign to be conducted in a future accounting period.

Line 10a. Land, buildings, equipment, and leasehold improvements. Enter the cost or other basis of all land, buildings, equipment, and leasehold improvements held at the end of the year. Include both property held for investment purposes and property used for the organization's exempt functions. If an amount is reported here, answer “Yes” on Part IV, line 11a, and complete Schedule D (Form 990), Part VI. The amount reported on line 10a must equal the total of Schedule D, Part VI, columns (a) and (b).

Line 10b. Accumulated depreciation. Enter the total amount of accumulated depreciation for the assets reported on line 10a. The amount reported on line 10b must equal the total of Schedule D (Form 990), Part VI, column (c).

Line 10c. Column (A)—Beginning of year. Enter the cost or other basis of land, buildings, and equipment, net of any accumulated depreciation, as of the beginning of the year.

Line 10c. Column (B)—End of year. Enter line 10a minus line 10b. The amount reported must equal the total of Schedule D (Form 990), Part VI, column (d).

Line 11. Investments—publicly traded securities. Enter the total value of **publicly traded securities** held by the organization as investments. Publicly traded securities include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), and mutual fund shares that are listed and regularly traded in an over-the-counter market or an established exchange and for which market quotations are published or are otherwise readily available. Report dividends and interest from these **securities** on Part VIII, line 3.

Don't report on line 11 publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class or publicly traded stock in a corporation that comprises more than 5% of the organization's **total assets**. Report these investments on line 12.

Line 12. Investments—other securities. Enter on this line the total value of all **securities**, partnerships, or funds that aren't publicly traded. This includes stock in a closely held company whose stock isn't available for sale to the general public or which isn't widely traded. Other securities reportable on line 12 also include publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class, and publicly traded stock in a corporation that comprises more than 5% of the organization's **total assets**. Don't include program-related investments.

If an amount is reported on this line that is 5% or more of the amount reported on Part X, line 16, answer “Yes” on Part IV, line 11b, and complete Schedule D (Form 990), Part VII. The amount reported in Part X, line 12, column (B), must equal the total of Schedule D (Form 990), Part VII, column (b).

Line 13. Program-related investments. Report here the total book value of all investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.

If the amount reported on this line is 5% or more of the amount reported on Part X, line 16, answer “Yes” on Part IV, line 11c, and complete Part VIII of Schedule D (Form 990). The

amount reported in Part X, line 13, column (B), must equal the total of Schedule D (Form 990), Part VIII, column (b).

Line 14. Intangible assets. Report on this line the total value of all non-monetary, non-physical assets such as copyrights, patents, trademarks, mailing lists, or goodwill.

Line 15. Other assets. Report on this line the total book value of all assets held and not reported on lines 1 through 14.

If an amount is reported on this line that is 5% or more of the amount reported on Part X, line 16, answer "Yes" on Part IV, line 11d, and complete Schedule D (Form 990), Part IX. The amount reported in Part X, line 15, column (B), must equal the total of Schedule D, Part IX, column (b).

Line 16. Total assets. Add the totals in columns (A) and (B) of lines 1 through 15. The amounts on line 16 must equal the amounts on line 33 for both the beginning and end of the year. The organization must enter a zero or a dollar amount on this line.

Line 17. Accounts payable and accrued expenses. Enter the total of accounts payable to suppliers, service providers, property managers, and other **independent contractors,** plus accrued expenses such as salaries payable, accrued payroll taxes, and interest payable.

Section 501(c)(21) trusts. Include accrued trustee fees, etc. Do not include the present value of payments for approved claims, or the estimated liability for future claims.

Line 18. Grants payable. Enter the unpaid portion of grants and awards that the organization has committed to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Section 501(c)(21) trusts. Include payments for approved black lung claims that are due but not paid. Do not include amounts for black lung claims being contested.

Line 19. Deferred revenue. Report revenue that the organization has received but not yet earned as of the balance sheet date under its method of accounting.

Line 20. Tax-exempt bond liabilities. Enter the amount of **tax-exempt bonds** (or other obligations) for which the organization has a direct or indirect liability that were either issued by the organization on behalf of a state or local governmental unit, or by a state or local governmental unit on behalf of the organization, and for which the organization has a direct or indirect liability. Tax-exempt bonds include state or local bonds and any obligations, including direct borrowing from a lender, or certificates of participation, the interest on which is excluded from the gross income of the recipient for federal income tax purposes under section 103.

See also Part IV, line 24a, and Schedule K (Form 990).

Line 21. Escrow or custodial account liability. Enter the amount of funds or other assets held in an **escrow or custodial account** for other individuals or organizations. Enter these amounts only if the related assets (such as cash) are reported on lines 1 through 15 of this part. If an amount is reported on this line, the organization must also answer "Yes" on Part IV, line 9, and complete Schedule D (Form 990), Part IV. If the organization has signature authority over, or another interest in, an **escrow or custodial account** for which it doesn't report the assets or liabilities, it must also answer "Yes" on Part IV, line 9, and complete Schedule D, Part IV.

Example. A credit counseling organization collects amounts from debtors to remit to creditors and reports the amounts temporarily in its possession as cash on line 1 of the balance sheet. It must then report the corresponding liability (the amounts to be paid to the creditors on the debtors' behalf) on line 21.

Lines 22–24. Enter on line 22 the unpaid balance of loans and other payables (whether or not secured) to current and former **officers, directors, trustees, key employees, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons**, and persons described in section 4958(c)(3)(B). If the organization reports a loan payable on this line, it must answer "Yes" on Part IV, line 26. Don't report on line 22 accrued but unpaid **compensation** owed by the organization. Don't report on line 22 loans and payables excepted from reporting on Schedule L (Form 990), Part II (except for **excess benefit transactions** involving receivables).

On line 23, enter the total amount of secured mortgages and notes payable to unrelated third parties that are secured by the organization's assets as of the end of the **tax year**. Report on line 25 (and not line 23) any secured mortgages and notes payable to **related organizations.**

On line 24, enter the total amount of notes and loans that are payable to unrelated third parties but aren't secured by the organization's assets. Report on line 25 (and not line 24) any unsecured payables to related organizations.

Line 25. Other liabilities. Enter the total amount of all liabilities not properly reportable on lines 17 through 24. Items properly reported on this line include federal income taxes payable and secured or unsecured payables to **related organizations**. The organization must also answer "Yes" on Part IV, line 11e, and complete Schedule D (Form 990), Part X.

Line 26. Total liabilities. Add the totals in columns (A) and (B), lines 17 through 25. The organization must enter a zero or a dollar amount on this line.

Net Assets and Fund Balances

FASB Accounting Standards Codification 958, Not-for-Profit Entities **(ASC 958)** provides standards for external financial statements certified by an independent accountant for certain types of nonprofit organizations. ASC 958-10-15-5 doesn't apply to credit unions, VEBAs, supplemental unemployment benefit trusts, section 501(c)(12) cooperatives, and other member benefit or mutual benefit organizations.

While some states may require reporting according to FASB ASC 958, the IRS doesn't. However, a Form 990 return prepared according to ASC 958 will be acceptable to the IRS.

Organizations that follow ASC 958. If the organization follows ASC 958, check the box above line 27, and complete lines 27 through 28 and lines 32 and 33. Classify and report net assets in two groups in Part X (unrestricted, donor-restricted) based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Enter the sum of the two classes of net assets on line 32. On line 33, add the amounts on lines 26 and 32 to show total liabilities and net assets. The amount on line 33 must equal the amount on line 16.

Effective for reporting years ending after December 15, 2017, ASC 958-205, Not-for-Profit Entities—Presentation of Financial Statements ***(ASC 958)****, addresses reporting of* ***donor-restricted endowments*** *and* ***board-designated (quasi) endowments****. Further, most states have enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). If the organization is subject to UPMIFA or* ***ASC 958****, it may affect the amounts reported on lines 27 through 28.*

Line 27. Net assets without donor restrictions. Enter the balance per books of net assets without donor restrictions. All funds without donor-imposed restrictions must be reported on line 27, regardless of the existence of any board designations or appropriations.

Line 28. Net assets with donor restrictions. Enter the balance per books of **net assets with donor restrictions**. Donors' restrictions may require that resources be used after a specified date (time restrictions), or that resources be used for a specified purpose (purpose restrictions), or both. Donors may also stipulate that assets, such as land or works of art, be used for a specified purpose, be preserved, and not be sold or donated with stipulations that they be invested to provide a permanent source of income.

Organizations that don't follow ASC 958. If the organization doesn't follow **ASC 958**, check the box above line 29 and complete lines 29 through 33. Report capital stock, trust principal, or current funds on line 29. Report paid-in capital surplus or land, building, or equipment funds on line 30. Report retained earnings, endowment, accumulated income, or other funds on line 31.

Line 29. Capital stock or trust principal, or current funds. For corporations, enter the balance per books of capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received on issuance) of all classes of stock issued and not yet canceled. For trusts, enter the amount in the trust principal or corpus. For organizations using the fund method of accounting, enter the fund balances for the organization's current restricted and unrestricted funds.

Line 30. Paid-in or capital surplus, or land, building, and equipment fund. Enter the balance of paid-in capital in excess of par or stated value for all stock issued and not yet canceled, as recorded on the corporation's books. If stockholders or others made donations that the organization records as paid-in capital, include them here. Enter the fund balance for the land, building, and equipment fund on this line.

Line 31. Retained earnings, endowment, accumulated income, or other funds. For corporations, enter the balance of retained earnings as recorded on the corporation's books, or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance in the accumulated income or similar account. For those organizations using the fund method of accounting, enter the total of the fund balances for the **net assets without donor restrictions** funds, and the **net assets with donor restrictions** funds, as well as balances of any other funds not reported on lines 29 and 30.

Line 32. Total net assets or fund balances. For organizations that follow **ASC 958**, enter the total of lines 27 through 28. For all other organizations, enter the total of lines 29 through 31. All filers must enter a zero or a dollar amount on this line.

Line 33. Total liabilities and net assets/fund balances. Enter the total of line 26 and line 32. This amount must equal the amount on line 16. The organization must enter a zero or a dollar amount on this line.

Part XI. Reconciliation of Net Assets

Check the box in the heading of Part XI if Schedule O (Form 990) contains any information pertaining to this part.

Line 1. Enter the amount of total revenue reported in Part VIII, line 12, column (A).

Line 2. Enter the amount of total expenses reported in Part IX, line 25, column (A).

Line 3. Enter the difference between lines 1 and 2.

Line 4. Enter the amount of net assets or fund balances at the beginning of year reported in Part X, line 32, column (A). This amount should be the same amount reported in Part X, line 33, column (B), for the prior year's return.

Line 5. Report the net unrealized gains or losses on investments reported in the organization's audited financial statements (or other financial statements). This amount represents the change in market value of investments that weren't sold or exchanged during the tax year.

Line 6. Report the value of services or use of facilities donated to the organization (net of services or use of facilities donated by the organization) reported as income or expense in the financial statements.

Line 8. Report the net prior period adjustments during the tax year reported in the financial statements. Prior period adjustments are corrections of errors in financial statements of prior years, or changes in accounting principles applied to such years. The errors may include math errors, mistakes in applying accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared.

Line 9. Enter the total amount of other changes in net assets or fund balances during the year. Amounts to report here include losses on uncollectible pledges, refunds of contributions and program service revenue, reversal of grant expenses, any difference between **FMV**and book value of property given as an award or grant, and any other changes in net assets or fund balances not listed on lines 5–8. Itemize these changes on Schedule O (Form 990) and check the box in the heading of Part XI.

Line 10. Combine the amounts on lines 3 through 9. The total must equal the amount reported in Part X, line 32, column (B).

Part XII. Financial Statements and Reporting

Check the box in the heading of Part XII if Schedule O (Form 990) contains any information pertaining to this part.

Line 1. Accounting method. Indicate the method of accounting used in preparing this return. See *Part D,* earlier. Provide an explanation on Schedule O (Form 990) (1) if the organization changed its method of accounting from a prior year, or (2) if the organization checked the "Other" accounting method box.

Line 2. Financial statements and independent accountant. Answer "Yes" or "No" to indicate on line 2a or line 2b whether the organization's **financial statements** for the **tax year** were **compiled, reviewed,** or **audited** by an independent accountant. An accountant is independent if he or she meets the standards of independence set forth by the American Institute of Certified Public Accountants (AICPA), the Public Company Accounting Oversight Board (PCAOB), or another similar body that oversees or sets standards for the accounting or auditing professions.

If "Yes" on either line 2a or 2b, answer "Yes" or "No" on line 2c to indicate whether the organization has a committee that is responsible under its governing documents or through delegation by its governing body for (i) overseeing the compilation, review, or audit of the financial statements; and (ii) the selection of an independent accountant that compiled, reviewed, or audited the statements. Answer "Yes" only if both (i) and (ii) apply. If this process has changed from the prior year, describe on Schedule O (Form 990).

Line 3a. Uniform Guidance, 2 C.F.R. Part 200, Subpart F. Answer "Yes" if, during the year, the organization was required under the Uniform Guidance, 2 C.F.R. Part 200, Subpart F, to

Updated reference from "Single Audit ACT and OMB Circular A-133" to "Uniform Guidance, 2 C.F.R. Part 200, Subpart F."

Cost and hours estimates updated for 2023.

undergo an audit or audits because of its receipt of federal contract awards. The Uniform Guidance, 2 C.F.R. Part 200, Subpart F, requires states, local governments, and nonprofit organizations that spend $750,000 or more of federal awards in a year to obtain an annual audit.

Line 3b. Required audits. If "Yes" on line 3a, indicate whether the organization has undergone the required audit or audits. Answer "Yes" if the audit was completed or in progress during the organization's tax year. If the answer to line 3b is "No," explain on Schedule O (Form 990) why the organization hasn't undergone any required audits and describe any steps taken to undergo such audits.

Paperwork Reduction Act Notice. We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. However, certain returns and return information of tax-exempt organizations and trusts are subject to public disclosure and inspection, as provided by section 6104.

Estimates of Taxpayer Burden. These include forms in the 990 series and attachments and Forms 1023, 1024, 1028, 5578, 5884-C, 8038, 8038-B, 8038-CP, 8038-G, 8038-GC, 8038-R, 8038-T, 8038-TC, 8328, 8718, 8282, 8453-TE, 8453-X, 8868, 8870, 8871, 8872, 8879-TE, 8886-T, and 8899 and their schedules and all the forms tax-exempt organizations attach to their tax returns. Time spent and out-of-pocket costs are presented separately. Time burden includes the time spent preparing to file and to file, with recordkeeping representing the largest component. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples include tax return preparation and submission fees, postage and photocopying costs, and tax preparation software costs. Note that these estimates don't include burden associated with post-filing activities. IRS operational data indicate that electronically prepared and filed returns have fewer arithmetic errors, implying lower post-filing burden.

Reported time and out-of-pocket cost burdens are national averages and include all associated forms and schedules, across all preparation methods and taxpayer activities. As a result, the averages don't necessarily reflect a "typical" case. Most taxpayers experience lower-than-average burden, with taxpayer burden varying considerably by taxpayer type.

Fiscal Year 2023 Form 990 Series Tax Compliance Cost Estimates

Table 1—Fiscal Year 2023 Form 990 Series Tax Compliance Cost Estimates

	Type of Return				
	Form 990	**Form 990-EZ**	**Form 990-PF**	**Form 990-T**	**Form 990-N**
Projections of the Number of Returns to be Filed with IRS	333,400	245,200	122,700	239,600	743,800
Estimated Average Total Time (Hours)	107	64	53	46	5
Estimated Average Total Out-of-Pocket Costs	$2,600	$500	$1,900	$2,100	$20
Estimated Average Total Monetized Burden	$8,700	$1,400	$4,100	$5,600	$90
Estimated Total Time (Hours)	35,780,000	15,770,000	6,510,000	10,940,000	3,720,000
Estimated Total Out-of-Pocket Costs	$867,200,000	$118,600,000	$237,200,000	$512,700,000	$13,800,000
Estimated Total Monetized Burden	$2,916,100,000	$335,200,000	$501,300,000	$1,346,200,000	$64,800,000

Note. Amounts above are for FY2023. Reported time and cost burdens are national averages and do not necessarily reflect a "typical" case. Most taxpayers experience lower-than-average burden, with taxpayer burden varying considerably by taxpayer type. Detail may not add due to rounding.

Comments and suggestions. We welcome your comments concerning the accuracy of these time estimates or suggestions for future editions. You can send us comments through *IRS.gov/FormComments*. Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax forms, instructions, and publications. **Don't** send your return to this address. Instead, see the *General Instructions, Section E, When, Where, and How To File,* earlier, for the location for filing your return.

Business Activity Codes

Certain NAICS codes updated per 2022 NAICS Census Chart.

The codes listed in this section are a selection from the North American Industry Classification System (NAICS) that should be used in completing Form 990, Part VIII, lines 2 and 11. If you don't see a code for the activity you are trying to categorize, select the appropriate code from the NAICS website at *2022 NAICS Census Chart*. Select the most specific 6-digit code available that describes the activity producing the income being reported. Note that most codes describe more than one type of activity. Avoid using codes that describe the organization rather than the income-producing activity.

Business Activity Codes

Agriculture, Forestry, Fishing and Hunting

Code	
110000	Agriculture, forestry, fishing and hunting
111000	Crop production

Mining

Code	
211100	Oil and gas extraction
211120	Crude petroleum extraction
211130	Natural gas extraction
212000	Mining (except oil and gas)

Utilities

Code	
221000	Utilities

Construction

Code	
230000	Construction
236000	Construction of buildings

Manufacturing

Code	
310000	Manufacturing
323100	Printing and related support activities
339110	Medical equipment and supplies manufacturing

Wholesale Trade

Code	
423000	Merchant wholesalers, durable goods
424000	Merchant wholesalers, nondurable goods

Retail Trade

Code	
441100	Automobile dealers
444100	Building material and supplies dealers
445100	Grocery and convenience retailers
445200	Specialty food retailers
449100	Furniture and home furnishings retailers
449210	Electronics and appliance retailers (including computers)
455000	General merchandise retailers
456110	Pharmacies and drug retailers
456199	All other health and personal care retailers
458000	Clothing, clothing accessories, shoe, and jewelry retailers
459110	Sporting goods retailers
459120	Hobby, toy, and game retailers
459130	Sewing, needlework, and piece goods retailers
459140	Musical instrument and supplies retailers
459210	Book retailers and news dealers (including newsstands)
459310	Florists
459410	Office supplies and stationery retailers
459420	Gift, novelty, and souvenir retailers
459510	Used merchandise retailers
459900	Other miscellaneous retailers

Note

Note for Nonstore Retailers

Nonstore retailers sell all types of merchandise using such methods as Internet, mail-order catalogs, interactive television, or direct sales. These types of retailers should select the PBA associated with their primary line of products sold. For example, establishments primarily selling prescription and non-prescription drugs, select PBA code ***456110 Pharmacies and drug retailers.***

Transportation and Warehousing

Code	
480000	Transportation
485000	Transit and ground passenger transportation
493000	Warehousing and storage

Information

Code	
512000	Motion picture and sound recording industries
513110	Newspaper publishers
513120	Periodical publishers
513130	Book publishers
513140	Directory and mailing list publishers
513190	Other publishers
516100	Radio and television broadcasting stations
516210	Media streaming, social networks, and other content providers
517000	Telecommunications (including wired, wireless, satellite, cable and other program distribution, resellers, agents, other telecommunications, and internet service providers)

Data Processing, Web Search Portals, and Other Information Services

Code	
518210	Computing infrastructure providers, data processing, web hosting, and related services
519200	Web search portals, libraries, archives, and other information services

Finance and Insurance

Code	
522100	Depository credit intermediation (including commercial banking, savings institutions, and credit unions)
522200	Nondepository credit intermediation
522210	Credit card issuing
522220	Sales financing
522291	Consumer lending
522292	Real estate credit
522299	International, secondary market, and all other nondepository credit intermediation
523000	Securities, commodity contracts, and other financial investments and related activities
523940	Portfolio management and investment advice
524113	Direct life insurance carriers
524114	Direct health and medical insurance carriers
524126	Direct property and casualty insurance carriers
524130	Reinsurance carriers
524292	Pharmacy benefit management and other third party administration of insurance and pension funds
524298	All other insurance-related activities
525100	Insurance and employee benefit funds
525920	Trusts, estates, and agency accounts
525990	Other financial vehicles (including mortgage REITs)

Real Estate and Rental and Leasing

Code	
531110	Lessors of residential buildings and dwellings (including equity REITs)
531120	Lessors of nonresidential buildings (except miniwarehouses) (including equity REITs)
531130	Lessors of miniwarehouses and self-storage units (including equity REITs)
531190	Lessors of other real estate property (including equity REITs)
531310	Real estate property managers
531320	Offices of real estate appraisers
531390	Other activities related to real estate
532000	Rental and leasing services
532289	All other consumer goods rental
532420	Office machinery and equipment rental and leasing
533110	Lessors of nonfinancial intangible assets (except copyrighted works)

Professional, Scientific, and Technical Services

Code	
541100	Legal services
541200	Accounting, tax preparation, bookkeeping, and payroll services
541300	Architectural, engineering, and related services
541380	Testing laboratories and services
541511	Custom computer programming services
541519	Other computer-related services
541610	Management consulting services
541700	Scientific research and development services
541800	Advertising, public relations, and related services
541860	Direct mail advertising
541900	Other professional, scientific, and technical services
541990	Consumer credit counseling services

Management of Companies and Enterprises

Code	
551111	Offices of bank holding companies
551112	Offices of other holding companies

Administrative and Support Services

Code	
561000	Administrative and support services
561300	Employment services
561439	Other business service centers (including copy shops)
561499	All other business support services
561500	Travel arrangement and reservation services
561520	Tour operators
561700	Services to buildings and dwellings

Waste Management and Remediation Services

Code	
562000	Waste management and remediation services (sanitary services)

Educational Services

Code	
611420	Computer training
611430	Professional and management development training
611600	Other schools and instruction (other than elementary and secondary schools or colleges and universities, which should select a code to describe their unrelated activities)
611710	Educational support services

Health Care and Social Assistance

Code	
621110	Offices of physicians
621300	Offices of other health practitioners
621400	Outpatient care centers
621500	Medical and diagnostic laboratories
621610	Home health care services
621910	Ambulance services
621990	All other ambulatory health care services
623000	Nursing and residential care facilities
623990	Other residential care facilities
624100	Individual and family services
624110	Child and youth services
624200	Community food and housing, and emergency and other relief services
624210	Meal delivery programs, soup kitchens, or food banks
624310	Vocational rehabilitation services
624410	Childcare services

Arts, Entertainment, and Recreation

code	
711110	Theater companies and dinner theaters
711120	Dance companies
711130	Musical groups and artists
711190	Other performing arts companies
711210	Spectator sports (including sports clubs and racetracks)

Business Activity Codes *(Continued)*

Code	
711300	Promoters of performing arts, sports, and similar events
713110	Amusement and theme parks
713200	Gambling industries
713910	Golf courses and country clubs
713940	Fitness and recreational sports centers
713990	All other amusement and recreation industries (including skiing facilities, marinas, and bowling centers)

Accommodation and Food Services

Code	
721000	Accommodation
721110	Hotels (except casino hotels) and motels
721210	RV (recreational vehicle) parks and recreational camps
721310	Rooming and boarding houses, dormitories, and workers' camps
722320	Caterers
722410	Drinking places (alcoholic beverages)
722511	Full-service restaurants
722513	Limited-service restaurants
722514	Cafeterias, grill buffets, and buffets
722515	Snack and non-alcoholic beverage bars

Other Services

Code	
811000	Repair and maintenance
812300	Drycleaning and laundry services
812900	Other personal services
812930	Parking lots and garages

Other

Code	
900001	Investment activities of section 501(c)(7), (9), or (17) organizations
900002	Rental of personal property
900003	Passive income activities with controlled organizations
900004	Exploited exempt activities
900099	Other activity

Glossary

NOTES:

- *Words in bold within a definition are defined elsewhere within the Glossary.*
- *All section references are to the Internal Revenue Code (title 26 of U.S. Code) or regulations under title 26, unless otherwise specified.*
- *Definitions are for purposes of filing Form 990 (and schedules) only.*

35% controlled entity

*An entity that is owned, directly or indirectly (for example, under constructive ownership rules of section 267(c)), by a given person, such as the organization's current or former **officers, directors, trustees,** or **key employees** listed on Form 990, Part VII, Section 1, or the **family members** thereof (listed persons) as follows.*

1. A corporation in which listed persons own more than 35% of the total combined voting power.

2. A partnership in which listed persons own more than 35% of the profits interest.

3. A trust or estate in which listed persons own more than 35% of the beneficial interest.

Accountable plan

A reimbursement or other expense allowance arrangement that satisfies the requirements of section 62(c) by meeting the requirements of business connection, substantiation, and returning amounts in excess of substantiated expenses. See Regulations section 1.62-2(c)(2).

Activities conducted outside the United States

*For purposes of Schedule F (Form 990), Statement of Activities Outside the United States, include grantmaking, **fundraising, unrelated trade or business**, program services, **program-related investments,** other investments, or **maintaining offices, employees, or agents** in particular regions outside the **United States**.*

Applicable tax-exempt organization

*A section 501(c)(3), 501(c)(4), or 501(c)(29) organization that is tax exempt under section 501(a), or that was such an organization at any time during the 5-year period ending on the day of the **excess benefit transaction**.*

Art

*See **Works of art.***

ASC 740

*See **FIN 48 (ASC 740).***

ASC 958

*Financial Accounting Standards Board, Accounting Standards Codification 958 **(ASC 958)** provides standards for external financial statements certified by an independent accountant for certain types of nonprofit organizations. **ASC 958** doesn't apply to credit unions, voluntary employees' beneficiary associations, supplemental unemployment benefit trusts, section 501(c)(12) cooperatives, and other member benefit or mutual benefit organizations.*
While some states may require reporting according to ASC 958, the IRS doesn't. However, a Form 990 return prepared according to ASC 958 will be acceptable to the IRS.

ASC 2016-14

*Accounting Standards Update 2016-14 is codified in Accounting Standards Codification 958, Not-for-Profit Entities **(ASC 958)**.*

Audit

A formal examination of an organization's financial records and practices by an independent, certified public accountant with the objective of issuing a report on the organization's financial statements as to whether those statements are fairly stated according to generally accepted accounting principles (or other recognized comprehensive basis of accounting).

Audited financial statements

Financial statements accompanied by a formal opinion or report prepared by an independent, certified public accountant with the objective of assessing the accuracy and reliability of the organization's ***financial statements.***

Audit committee

A committee, generally established by the ***governing body*** *of an organization, with the responsibilities to oversee the organization's financial reporting process, monitor choice of accounting policies and principles, monitor internal control processes, or oversee hiring and performance of any external auditors.*

Bingo

A game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly called numbers on the cards in an attempt to form a pre-selected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the pre-selected pattern wins the game. To be a bingo game, the game must be of the type described in which wagers are placed, winners are determined, and prizes or other property are distributed in the presence of all persons placing wagers in that game. Satellite, Internet, and progressive or event bingo aren't bingo, because they are conducted in many different places simultaneously, and the winners aren't all present when the wagers are placed, the winners are determined, and the prizes are distributed. Thus, all revenue and expenses associated with satellite, Internet, and progressive or event bingo should generally be included under ***pull tabs****. Certain bingo games within a hybrid gaming event (such as progressive or event bingo) can also qualify as bingo if the individual game meets the preceding definition of bingo.*

Board-designated endowment

See ***Quasi-endowment****.*

Bond issue

An issue of two or more bonds that are:

1. *Sold at substantially the same time,*
2. *Sold under the same plan of financing, and*
3. *Payable from the same source of funds.*

See Regulations section 1.150-1(c).

Business relationship

For purposes of Part VI, line 2, business relationships between two persons include the following.

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a ***trustee, director, officer****, or greater-than-35% owner.*

2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of $10,000 in the aggregate during the organization's tax year. Indirect transactions are transactions with an organization with which the one person is associated as a trustee, director, officer, or greater-than-35% owner. Such transactions don't include charitable contributions to tax-exempt organizations.

3. The two persons are each a director, trustee, officer, or greater-than-10% owner in the same business or investment entity (but not in the same tax-exempt organization).

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity in question); there can be ownership through multiple tiers of entities.

Cash contributions

Contributions *received in the form of cash, checks, money orders, credit card charges, wire transfers, and other transfers and deposits to a cash account of the organization.*

Central organization	*The organization, sometimes referred to as the "parent organization", that holds a **group exemption** letter for one or more **subordinate organizations** under its general supervision and control.*
CEO, executive director, or top management official	*See **Top management official**. "CEO" stands for chief executive officer.*
Certified historic structure	*Any building or structure listed in the National Register of Historic Places as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to **contributions** made after August 17, 2006.*
Church	*Certain characteristics are generally attributed to churches. These attributes of a church have been developed by the IRS and by court decisions. They include distinct legal existence; recognized creed and form of worship; definite and distinct ecclesiastical government; formal code of doctrine and discipline; distinct religious history; membership not associated with any other church or denomination; organization of ordained ministers; ordained ministers selected after completing prescribed courses of study; literature of its own; established places of worship; regular congregations; regular religious services; Sunday schools for the religious instruction of the young; and schools for the preparation of its ministers. The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes. A convention or association of churches is generally treated like a church for federal tax purposes. See Pub. 1828, Tax Guide for Churches and Religious Organizations.*
Closely held stock	*Generally, shares of stock in a closely held company that isn't available for sale to the general public or which isn't widely traded (see further explanation in the instructions for Part X, line 12, and Schedule M (Form 990), Noncash Contributions, line 10).*
Collectibles	*Include autographs, sports memorabilia, dolls, stamps, coins, books (other than books and publications reported on line 4 of Schedule M (Form990)), gems, and jewelry (other than costume jewelry reportable on line 5 of Schedule M (Form 990)).*
Collections of works of art, historical treasures, and other similar assets	*Include collections, as described in ASC 958-360-45, of **works of art**, **historical treasures**, and other similar assets held for public exhibition, education, or research in furtherance of public service.*
Compensation	*Unless otherwise provided, all forms of cash and noncash payments or benefits provided in exchange for services, including salary and wages, bonuses, severance payments, deferred payments, retirement benefits, fringe benefits, and other financial arrangements or transactions such as personal vehicles, meals, housing, personal and family educational benefits, below-market loans, payment of personal or family travel, entertainment, and personal use of the organization's property. Compensation includes payments and other benefits provided to both **employees** and **independent contractors** in exchange for services. See also **Deferred compensation**, **Nonqualified deferred compensation**, and **Reportable compensation**.*
Compilation (compiled financial statements)	*A compilation is a presentation of **financial statements** and other information that is the representation of the management or ownership of an organization and which hasn't been reviewed or audited by an independent accountant.*

Conflict of interest policy

*A policy that defines conflict of interest, identifies the classes of individuals within the organization covered by the policy, facilitates disclosure of information that can help identify conflicts of interest, and specifies procedures to be followed in managing conflicts of interest. A conflict of interest arises when a person in a position of authority over an organization, such as an **officer**, **director**, or manager, can benefit financially from a decision she or he could make in such capacity, including indirect benefits such as to **family members** or businesses with which the person is closely associated. For this purpose, a conflict of interest doesn't include questions involving a person's competing or respective duties to the organization and to another organization, such as by serving on the boards of both organizations, that don't involve a material financial interest of, or benefit to, such person. For a description of "conflict of interest" for purposes of determining whether **governing body** members who are reviewing a potential **excess benefit transaction** have a conflict of interest, pursuant to Regulations section 53.4958-6(c)(1)(iii), see the instructions for Part VI, line 15.*

Conservation easement

A restriction (granted in perpetuity) on the use that may be made of real property granted exclusively for conservation purposes. Conservation purposes include preserving land areas for outdoor recreation by, or for the education of, the general public; protecting a relatively natural habitat of fish, wildlife, or plants, or a similar ecosystem; preserving open space, including farmland and forest land, where such preservation will yield a significant public benefit and is either for the scenic enjoyment of the general public or pursuant to a clearly defined federal, state, or local governmental conservation policy; and preserving a historically important land area or a certified historic structure. For more information, see section 170(h) and Notice 2004-41, 2004-1 C.B. 31.

Contributions

*Unless otherwise provided, includes donations, gifts, bequests, grants, and other transfers of money or property to the extent that adequate consideration isn't provided in exchange and that the contributor intends to make a gift, whether or not made for charitable purposes. A transaction can be partly a sale and partly a contribution, but discounts provided on sales of goods in the ordinary course of business shouldn't be reported as contributions. Neither donations of services (such as the value of donated advertising space, broadcast air time, or discounts on services) nor donations of use of materials, equipment, or facilities should be reported as contributions. For purposes of Form 990, a distribution to a section 501(c)(3) organization from a split-interest trust (for example, charitable remainder trust, charitable lead trust) is reportable as a contribution. See also **Cash contributions** and **Noncash contributions.***

Control

*For purposes of determining **related organizations**:*

Control of a nonprofit organization (or other organization without owners or persons having beneficial interests, whether the organization is taxable or tax exempt)

One or more persons (whether individuals or organizations) control a nonprofit organization if they have the power to remove and replace (or to appoint, elect, or approve or veto the appointment or election of, if such power includes a continuing power to appoint, elect, or approve or veto the appointment or election of, periodically or in the event of vacancies) a majority of the nonprofit organization's directors or trustees, or a majority of members who elect a majority of the nonprofit organization's directors or trustees. Such power can be exercised directly by a (parent) organization through one or more of the (parent) organization's officers, directors, trustees, or agents, acting in their capacities as officers, directors, trustees, or agents of the (parent) organization. Also, a (parent) organization controls a (subsidiary) nonprofit organization if a majority of the subsidiary's directors or trustees are trustees, directors, officers, employees, or agents of the parent.

Control of a stock corporation

One or more persons (whether individuals or organizations) control a stock corporation if they own more than 50% of the stock (by voting power or value) of the corporation.

Control of a partnership or limited liability company

One or more persons control a partnership if they own more than 50% of the profits or capital interests in the partnership (including a limited liability company treated as a partnership or disregarded entity for federal tax purposes, regardless of the designation under state law of the ownership interests as stock, membership interests, or otherwise). A person also controls a partnership if the person is a managing partner or managing member of a partnership or limited liability company which has three or fewer managing partners or managing members (regardless of which partner or member has the most actual control), or if the person is a general partner in a limited partnership which has three or fewer general partners (regardless of which partner has the most actual control). For this purpose, a "managing partner" is a partner designated as such under the partnership agreement, or regularly engaged in the management of the partnership even though not so designated.

Control of a trust with beneficial interests

One or more persons control a trust if they own more than 50% of the beneficial interests in the trust. A person's beneficial interest in a trust shall be determined in proportion to that person's actuarial interest in the trust as of the end of the tax year. See Regulations sections 301.7701-2, -3, and -4 for more information on classification of corporations, partnerships, disregarded entities, and trusts. Control can be indirect. See the Schedule R (Form 990) instructions for a description of indirect control.

Controlled entity

*An organization controlled by a **controlling organization under section 512(b)(13)**. A controlled entity may be a nonprofit organization. For the definition of control in this context, see section 512(b)(13)(D) and Regulations section 1.512(b)-1(l)(4) (substituting "more than 50%" for "at least 80%" in the regulation, for purposes of this definition). Controlled entities are a subset of **related organizations**. For purposes of Form 990, controlled entities don't include **disregarded entities** of the filing organization.*

Controlling organization under section 512(b)(13)

*An exempt organization that controls a **controlled entity**. Section 512(b)(13) treats payments of interest, annuity, royalties, and rent from a controlled entity to a controlling organization as unrelated business taxable income under certain circumstances. Control in this context means (i) in the case of a corporation, ownership (by vote or value) of more than 50% of the stock in such corporation; (ii) in the case of a partnership, ownership of more than 50% of the profits interests or capital interests in such partnership; or (iii) in any other case, ownership of more than 50% of the beneficial interests in the entity. Section 318 (relating to constructive ownership of stock) shall apply for purposes of determining ownership of stock in a corporation. Similar principles shall apply for purposes of determining ownership of interests in any other entity.*

Core form

The Form 990, Return of Organization Exempt From Income Tax. It doesn't include any schedules that may be attached to Form 990.

Credit counseling services

Include the providing of information to the general public on budgeting, personal finance, and saving and spending practices, or assisting individuals and families with financial problems by providing them with counseling. See section 501(q)(4)(A).

Current year

*The **tax year** for which the Form 990 is being filed; see also **Fiscal year**.*

Debt management plan services

Services related to the repayment, consolidation, or restructuring of a consumer's debt, including the negotiation with creditors of lower interest rates, the waiver or reduction of fees, and the marketing and processing of debt management plans. See section 501(q)(4)(B).

Defeasance escrow

An irrevocable escrow established to redeem the bonds on their earliest call date in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premiums on, bonds from the date the escrow is established to the earliest call date. See Regulations section 1.141-12(d)(5).

Deferred compensation

***Compensation** that is earned or accrued in, or is attributable to, one year and deferred to a future year for any reason, whether or not funded, vested, qualified or nonqualified, or subject to a substantial risk of forfeiture. However, a deferral of compensation that causes an amount to be deferred from the calendar year ending with or within the tax year to a date that isn't more than 2 1/2 months after the end of the calendar year ending with or within the tax year isn't treated as deferred compensation for purposes of Form 990, if such compensation is currently reported as reportable compensation. Deferred compensation may or may not be included in **reportable compensation** for the **current year**.*

Director

*See **Director or trustee**.*

Director or trustee

*Unless otherwise provided, a member of the organization's **governing body** at any time during the tax year, but only if the member has any voting rights. A member of an advisory board that doesn't exercise any governance authority over the organization isn't considered a director or trustee.*

Disqualified person

*A. For purposes of section 4958; Form 990, Parts IX and X; and Schedule L (Form 990), Transactions With Interested Persons, Parts I and II, any person (including an individual, corporation, or other entity) who was in a position to exercise substantial influence over the affairs of the **applicable tax-exempt organization** at any time during a 5-year period ending on the date of the transaction. If the 5-year period ended within the organization's **tax year**, the organization may treat the person as a disqualified person for the entire tax year. Persons who hold certain powers, responsibilities, or interests are among those who are in positions to exercise substantial influence over the affairs of the organization.*

A disqualified person includes:

- *A disqualified person's **family member**;*
- *A **35% controlled entity** of a (1) disqualified person, and/or (2) family members of the disqualified person;*
- *A donor or **donor advisor** to a **donor advised fund**; or*
- *An investment advisor of a **sponsoring organization**.*

*The **disqualified persons** of a **supported organization** include the disqualified persons of a section 509(a)(3) **supporting organization** that supports the supported organization.*

See Appendix G *for more information on **disqualified persons** and section 4958 **excess benefit transactions**.*

B. Under section 4946, a disqualified person includes the following.

*1. A substantial contributor, which is any person who gave an aggregate amount of more than $5,000, if that amount is more than 2% of the total **contributions** the foundation or organization received from its inception through the end of the year in which that person's contributions were received. If the organization is a trust, a substantial contributor includes the creator of the trust (without regard to the amount of contributions the trust received from the creator and related persons). Any person who is a substantial contributor at any time generally remains a substantial contributor for all future periods even if later contributions by others push that person's contributions below the 2% figure discussed above. Gifts from the contributor's spouse are treated as gifts from the contributor. Gifts are generally valued at **FMV** as of the date the organization received them.*

*2. A foundation manager, defined as an **officer**, **director**, or **trustee** of the organization or any individual having powers or responsibilities similar to those of officers, directors, or trustees.*

3. An owner of more than 20% of the voting power of a corporation, profits interest of a partnership, or beneficial interest of a trust or an unincorporated enterprise that is a substantial contributor to the organization.

4. A family member of an individual in the first three categories. For this purpose, "family member" includes only the individual's spouse, ancestors, children, grandchildren, and great-grandchildren, and the spouses of children, grandchildren, and great-grandchildren.

5. A corporation, partnership, trust, or estate in which persons described in (1) through (4) above own more than 35% of the voting power, profits interest, or beneficial interest.

For purposes of section 509(a)(2), as referenced in Schedule A (Form 990), Public Charity Status and Public Support, a disqualified person is defined in section 4946, except that it doesn't include an organization described in section 509(a)(1).

For purposes of section 509(a)(3), as referenced in Schedule A (Form 990), a disqualified person is defined in section 4946, except that it doesn't include a foundation manager or an organization described in section 509(a)(1) or 509(a)(2).

Disregarded entity or entities

*An entity wholly owned by the organization that is generally not treated as a separate entity for federal tax purposes (for example, single-member limited liability company of which the organization is the sole member). See Regulations sections 301.7701-2 and -3. A disregarded entity must generally use the **EIN** of its sole member. An exception applies to employment taxes: for wages paid to **employees** of a disregarded entity, the disregarded entity must file separate employment tax returns and use its own EIN on such returns. See Regulations sections 301.6109-1(h) and 301.7701-2(c)(2)(iv).*

Domestic government

*See **Governmental unit**.*

Domestic individual

*An individual who lives or resides in the **United States** and isn't a **foreign individual**.*

Domestic organization

*A corporation or partnership is domestic if created or organized in the United States or under the law of the United States or of any state or possession. A trust is domestic if a court within the United States or a **U.S. possession** is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons (or persons in possessions of the United States) have the authority to control all substantial decisions of the trust.*

Donor advised fund

A fund or account:

*1. That is separately identified by reference to **contributions** of a donor or donors,*

*2. That is owned and controlled by a **sponsoring organization**, and*

*3. For which the donor or **donor advisor** has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised funds or accounts because of the donor's status as a donor.*

A donor advised fund doesn't include any fund or account:

1. That makes distributions only to a single identified organization or governmental entity; or

2. In which a donor or donor advisor gives advice about which individuals receive grants for travel, study, or other similar purposes, if:

a. The donor or donor advisor's advisory privileges are performed exclusively by such person in his or her capacity as a committee member in which all of the committee members are appointed by the sponsoring organization;

b. No combination of donors or donor advisors (and related persons as defined below) directly or indirectly controls the committee; and

c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of section 4945(g)(1), (2), or (3); or

3. That the IRS exempts from being treated as a donor advised fund because either such fund or account is advised by a committee not directly or indirectly controlled by the donor or donor advisor or such fund benefits a single identified charitable purpose. For example, see section 5.01 of Notice 2006-109, 2006-51 I.R.B. 1121, and any future related guidance.

Donor advisor

*Any person appointed or designated by a donor to advise a **sponsoring organization** on the distribution or investment of amounts held in the donor's **donor advised fund**.*

Donor-Imposed Restriction

A donor stipulation (donors include other types of contributors, including makers of certain grants) that specifies a use for a contributed asset that is more specific than broad limits resulting from:

- *The nature of the not-for-profit entity,*
- *The environment in which it operates, or*
- *The purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.*

Some donors impose restrictions that are temporary in nature, for example, stipulating that resources may be used only after a specified date, for particular programs or services, or to acquire buildings and/or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity.

Donor-Restricted Endowment Fund

An endowment fund created by a donor stipulation (donors include other types of contributors, including makers of certain grants) requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions.

EIN

Employer identification number, a nine-digit number. Use Form SS-4 to apply for an EIN.

Employee

Any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee, and any other individual who is treated as an employee for federal employment tax purposes under section 3121(d). See Pub. 1779 for more information.

Endowment fund

An established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit entity. The use of the assets of the fund may be with or without donor-imposed restrictions. Endowment funds are generally established by donor-restricted gifts and bequests to provide a source of income perpetuity or for a specified period. Alternatively, a not-for-profit's governing board may earmark a portion of its net assets (see ***Quasi-endowment****).*

Escrow or custodial account

Refers to an account (whether a segregated account at a financial institution or a set-aside on the organization's books and records) over which the organization has signature authority, in which the funds are held for the benefit of other organizations or individuals, whether or not the funds are reported on Part X, line 21, and whether or not the account is labeled as "escrow account," "custodial account," "trust account," or some similar term. An escrow or custodial account doesn't include a split-interest trust (or the beneficial interest in such trust) described in section 4947(a)(2) for which the filing organization is a trustee, other than a trust in the trade or business of lending money, repairing credit, or providing debt management plan services, payment processing, or similar services.

Excess benefit transaction

In the case of an ***applicable tax-exempt organization****, any transaction in which an excess benefit is provided by the organization, directly or indirectly to, or for the use of, any* ***disqualified person****, as defined in section 4958. Excess benefit generally means the excess of the economic benefit received from the applicable organization over the consideration given (including services) by a disqualified person, but see the special rules below regarding donor advised funds and supporting organizations. See* Appendix G *for more information.*

Donor advised fund*. For a* ***donor advised fund****, an excess benefit transaction also includes a grant, loan,* ***compensation****, or similar payment from the fund to a:*

- *Donor or* ***donor advisor****,*
- ***Family member*** *of a donor or donor advisor,*
- ***35% controlled entity*** *of a donor or donor advisor, or*
- *35% controlled entity of a family member of a donor or donor advisor.*

The excess benefit in this transaction is the amount of the grant, loan, ***compensation****, or similar payments.*

For additional information, see the Instructions for Form 4720.

Supporting organization. *For any* ***supporting organization****, defined in section 509(a)(3), an excess benefit transaction also includes grants, loans,* ***compensation****, or similar payments provided by the supporting organization to a:*

- *Substantial contributor,*
- *Family member of a substantial contributor,*
- *35% controlled entity of a substantial contributor, or*
- *35% controlled entity of a family member of a substantial contributor.*

For this purpose, the excess benefit is defined as the amount of the grant, loan, ***compensation****, or similar payments. Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).*

Exempt bond

See ***Tax-exempt bond****.*

Fair market value (FMV)

The price at which property, or the right to use property, would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Family member, family relationship

Unless specified otherwise, the family of an individual includes only his or her spouse (see Rev. Rul. 2013-17 regarding same-sex marriage), ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren.

FIN 48 (FASB ASC 740)

*Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, now codified in FASB Accounting Standards Codification 740, Income Taxes (ASC 740). The organization can be required to provide in Schedule D (Form 990), Supplemental Financial Statements, the text of the footnote to its **financial statements** regarding the organization's liability for uncertain tax positions under FIN 48 (ASC 740).*

Financial statements

An organization's statements of revenue and expenses and balance sheet, or similar statements prepared regarding the financial operations of the organization.

Fiscal year

*An annual accounting period ending on the last day of a month other than December. See also **Tax year** and **Current year**.*

Foreign government

*A governmental agency or entity, or a political subdivision thereof, that isn't classified as a **United States** agency or **governmental unit**, regardless of where it is located or operated.*

Foreign individual

*A person, including a U.S. citizen or resident, who lives or resides outside the **United States**. For purposes of Form 990, Part IX, and Schedule F (Form 990), Statement of Activities Outside the United States, a person who lives or resides outside the United States at the time the grant is paid or distributed to the individual is a **foreign individual**.*

Foreign organization

*An organization that isn't a **domestic organization**. A foreign organization includes an affiliate that is organized as a legal entity separate from the filing organization, but doesn't include any branch office, account, or **employee** of a domestic organization located outside the **United States**.*

Fundraising

*See **Fundraising activities**.*

Fundraising activities

*Activities undertaken to induce potential donors to contribute money, securities, services, materials, facilities, other assets, or time. They include publicizing and conducting **fundraising** campaigns; maintaining donor mailing lists; conducting **fundraising events**; preparing and distributing fundraising manuals, instructions, and other materials; **professional fundraising services**; and conducting other activities involved with soliciting **contributions** from individuals, foundations, governments, and others. Fundraising activities don't include **gaming**, the conduct of any trade or business that is regularly carried on, or activities substantially related to the accomplishment of the organization's exempt purpose (other than by raising funds).*

Fundraising events

Include dinners and dances, door-to-door sales of merchandise, concerts, carnivals, sports events, auctions, casino nights (in which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization), and similar events not regularly carried on that are conducted for the primary purpose of raising funds. Fundraising events don't include:

1. *The conduct of a trade or business that is regularly carried on;*
2. *Activities substantially related to the accomplishment of the organization's exempt purposes (other than by raising funds);*
3. *Solicitation campaigns that generate only **contributions**, which may involve gifts of goods or services from the organization of only nominal value, or sweepstakes, lotteries, or raffles in which the names of contributors or other respondents are entered in a drawing for prizes of only nominal value; and*
4. *Gaming.*

GAAP

*See **Generally accepted accounting principles**.*

Gaming

*Includes (but isn't limited to) **bingo**, **pull tabs/instant bingo** (including satellite and progressive or event bingo), Texas Hold-Em Poker, 21, and other card games involving betting, raffles, scratch-offs, charitable gaming tickets, break-opens, hard cards, banded tickets, jar tickets, pickle cards, Lucky Seven cards, Nevada Club tickets, casino nights/Las Vegas nights (other than events not regularly carried on in which participants can play casino-style games but the only prizes or auction items provided to participants are noncash items that were donated to the organization, which events are **fundraising events**), and coin-operated gambling devices. Coin-operated gambling devices include slot machines, electronic video slot or line games, video poker, video blackjack, video keno, video bingo, video pull tab games, etc. See Pub. 3079, Tax-Exempt Organizations and Gaming.*

Generally accepted accounting principles/ GAAP

*The accounting principles set forth by the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) that guide the work of accountants in reporting financial information and preparing **audited financial statements** for organizations.*

Governing body

*The group of one or more persons authorized under state law to make governance decisions on behalf of the organization and its shareholders or members, if applicable. The governing body is, generally speaking, the board of **directors** (sometimes referred to as "board of **trustees**") of a corporation or association, or the trustee or trustees of a trust (sometimes referred to as the "board of **trustees**").*

Government official

A federal, state, or local official described within section 4946(c).

Governmental issuer

*A state or local governmental unit that issues a **tax-exempt bond**.*

Governmental unit

*A state, a **possession of the United States**, or a **political subdivision** of a state or U.S. possession, the United States, or the District of Columbia. See section 170(c)(1).*

Grants and other assistance

*For purposes of Part IX, lines 1–3; Schedule F (Form 990); and Schedule I (Form 990), includes awards, prizes, contributions, noncash assistance, cash allocations, stipends, scholarships, fellowships, research grants, and similar payments and distributions made by the organization during the tax year. It doesn't include salaries or other **compensation** to **employees** or payments to **independent contractors** if the primary purpose is to serve the direct and immediate needs of the organization (such as legal, accounting, or fundraising services); the payment of any benefit by a section 501(c)(9) voluntary employees' beneficiary association (VEBA) to employees of a sponsoring organization or contributing employer, if such payment is made under the terms of the VEBA and in compliance with section 505; or payments or other assistance to affiliates or branch offices that aren't organized as legal entities separate from the filing organization.*

Gross proceeds	*For purposes of Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, generally any sale* ***proceeds****, investment proceeds, transferred proceeds, and replacement proceeds of an issue. See Regulations sections 1.148-1(b) and -1(c).*
Gross receipts	*The total amounts the organization received from all sources during its tax year, without subtracting any costs or expenses. See* Appendix B. How To Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less *and* Appendix C. Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations*.*
Group exemption	*Tax exemption of a group of organizations all exempt under the same Code section, applied for and obtained by a* ***central organization*** *on behalf of* ***subordinate organizations*** *under the central organization's general supervision or control. See Rev. Proc. 80-27, 1980-1 C.B. 677; Rev. Proc. 96-40, 1996-2 C.B. 301; and* Appendix E. Group Returns—Reporting Information on Behalf of the Group, *for more information.*
Group return	*A Form 990 filed by the* ***central organization*** *of a* ***group exemption*** *for two or more of the* ***subordinate organizations****. See* General Instructions, Section I. Group Return, *earlier, and* Appendix E. Group Returns—Reporting Information on Behalf of the Group*, for more information.*
Highest compensated employee	*One of the five highest compensated* ***employees*** *of the organization (including employees of a* ***disregarded entity*** *of the organization), other than current* ***officers, directors, trustees,*** *or* ***key employees****, whose aggregate* ***reportable compensation*** *from the organization and* ***related organizations*** *is greater than $100,000 for the calendar year ending with or within the organization's* ***tax year****. These employees should be reported in Part VII, Section A, of Form 990.*
Historical treasure	*A building, structure, area, or property (real or personal) with recognized cultural, aesthetic, or historical value that is significant in the history, architecture, archaeology, or culture of a country, state, or city.*
Hospital/hospital facility	*For purposes of Schedule H (Form 990), Hospitals, a hospital, or hospital facility, is a facility that is, or is required to be, licensed, registered, or similarly recognized by a state as a hospital. This includes a hospital facility that is operated through a* ***disregarded entity*** *or a* ***joint venture*** *treated as a partnership for federal income tax purposes. It doesn't include hospital facilities that are located outside the* ***United States****. It also doesn't include hospital facilities that are operated by entities organized as separate legal entities from the organization that are taxable as a corporation for federal tax purposes (except for members of a* ***group exemption*** *included in a* ***group return*** *filed by an organization).*
Hospital organization	*An organization which operates one or more* ***hospital facilities****.*
Hospital (or cooperative hospital service organization)	*For purposes of Schedule A (Form 990), Public Charity Status and Public Support, a hospital (or cooperative hospital service organization) is an organization whose main purpose is to provide hospital or medical care. For purposes of Schedule A, a rehabilitation institution or an outpatient clinic can qualify as a hospital if its principal purposes or functions are the providing of hospital or medical care, but the term doesn't include medical schools, medical research organizations, convalescent homes, homes for children or the aged, animal hospitals, or vocational training institutions for handicapped individuals.*
Household goods	*Include furniture, furnishings, electronics, appliances, linens, and other similar items. They don't include food, paintings, antiques and other objects of art, jewelry and gems (other than costume jewelry), and collections.*
Independent contractor	*An individual or organization that receives compensation for providing services to the organization but who isn't treated as an* ***employee****. See Pub. 1779 for more information.*

Independent voting member of governing body

*A **voting member of the governing body**, if all four of the following circumstances applied at all times during the organization's tax year.*

*1. The member wasn't compensated as an **officer** or other **employee** of the organization or of a **related organization** (see the Instructions for Schedule R (Form 990), Related Organizations and Unrelated Partnerships), except as provided in the religious exception discussed in the instructions for Form 990, Part VI.*

*2. The member didn't receive total **compensation** or other payments exceeding $10,000 during the organization's tax year from the organization or from related organizations as an **independent contractor**, other than **reasonable compensation** for services provided in the capacity as a **member of the governing body**. For example, a person who receives reasonable expense reimbursements and reasonable compensation as a **director** of the organization doesn't cease to be independent merely because he or she also received payments of $7,500 from the organization for other arrangements.*

*3. Neither the member, nor any **family member** of the member, was involved in a transaction with the organization (whether directly or indirectly through affiliation with another organization) required to be reported on Schedule L (Form 990), Transactions With Interested Persons, for the organization's tax year.*

4. Neither the member, nor any family member of the member, was involved in a transaction with a taxable or tax-exempt related organization of a type and amount that would be reportable on Schedule L (Form 990) if required to be filed by the related organization.

A member of the governing body isn't considered to lack independence merely because of any of the following circumstances.

1. The member is a donor to the organization, regardless of the amount of the contribution.

2. The member has taken a bona fide vow of poverty and either:

*a. Receives **compensation** as an agent of a **religious order** or a section 501(d) religious or apostolic organization, but only under circumstances in which the member doesn't receive taxable income (for example, Rev. Rul. 77-290, 1977-2 C.B. 26; and Rev. Rul. 80-332, 1980-2 C.B. 34); or*

b. Belongs to a religious order that receives sponsorship or payments from the organization that don't constitute taxable income to the member.

3. The member receives financial benefits from the organization solely in the capacity of being a member of the charitable or other class served by the organization in the exercise of its exempt function, such as being a member of a section 501(c)(6) organization, so long as the financial benefits comply with the organization's terms of membership.

Initial contract

*A binding written contract between an **applicable tax-exempt organization** and a person who wasn't a **disqualified person** immediately before entering into the contract.*

Instant bingo

*See **Pull tabs**.*

Institutional trustee

*A **trustee** that isn't an individual or natural person but an organization. For instance, a bank or trust company serving as the trustee of a trust is an institutional trustee.*

Joint venture

Unless otherwise provided, a partnership, limited liability company, or other entity treated as a partnership for federal tax purposes, as described in Regulations sections 301.7701-1 through 301.7701-3.

Key employee

*For purposes of Form 990, an **employee** of an organization (other than an **officer**, **director**, or **trustee**) who meets all three of the following tests applied in the following order.*

*1. $150,000 Test. Receives **reportable compensation** from the organization and all **related organizations** in excess of $150,000 for the **calendar year** ending with or within the organization's **tax year**.*

2. Responsibility Test. The employee:

a. Has responsibilities, powers or influence over the organization as a whole similar to those of officers, directors, or trustees;

b. Manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or

c. Has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget, or compensation for employees.

3. Top 20 Test. Is one of the 20 employees (that satisfy the $150,000 Test and Responsibility Test) with the highest reportable compensation from the organization and related organizations for the calendar year ending with or within the organization's tax year.

*See the instructions for Part VII for examples of **key employees.***

Legislation

Includes action by Congress, any state legislature, any local council, or similar governing body about acts, bills, resolutions, or similar items, or action by the public in referenda, ballot initiatives, constitutional amendments, or similar procedures. It doesn't include actions by executive, judicial, or administrative bodies.

Lobbying

*See **Lobbying activities**.*

Lobbying activities

*All activities intended to influence foreign, national, state, or local **legislation**. Such activities include direct lobbying (attempting to influence the legislators) and grassroots lobbying (attempting to influence legislation by influencing the general public).*

Maintaining offices, employees, or agents

*For purposes of Schedule F (Form 990), Statement of Activities Outside the United States, includes principal, regional, district, or branch offices, such offices maintained by agents, independent contractors, and persons situated at those offices paid wages for services performed. "Agent" is defined under traditional agency principles (but doesn't include **volunteers**).*

Management company

*An organization that performs management duties for another organization customarily performed by or under the direct supervision of the other organization's **officers**, **directors**, **trustees**, or **key employees**. These management duties include, but aren't limited to, hiring, firing, and supervising personnel; planning or executing budgets or financial operations; and supervising exempt operations or **unrelated trades or businesses**. When a management company is used, the employees may be employed by either the management company or the exempt organization. Whether the management company or the exempt organization is the employer will be determined by the facts and circumstances.*

Medical research

For purposes of a medical research organization operated in conjunction with a hospital (see Schedule A (Form 990), Public Charity Status and Public Support), medical research means investigations, studies, and experiments performed to discover, develop, or verify knowledge relating to physical or mental diseases and impairments and their causes, diagnoses, prevention, treatments, or control.

Member of the governing body

*A person who serves on an organization's **governing body**, including a **director** or **trustee**, but not if the person lacks voting power.*

Language added to emphasize that employees contracted through a management company may be considered employees of the filing organization for purposes of 990 reporting.

Net assets with donor restrictions

*Includes **endowment funds** established by donor-restricted gifts that are maintained to provide a source of income for either a specified period of time or until a specific event occurs (see **ASC 958-205-45**), as well as all other temporarily restricted net assets held in a donor-restricted endowment, including unappropriated income from **permanent endowments** that isn't subject to a permanent restriction. After Accounting Standards Update 2016-14, **ASC 958** uses two classifications, instead of three—net assets with donor restrictions and net assets without donor restrictions. **ASC 958** no longer uses the term "temporarily-restricted endowment."*

*The part of net assets of a not-for-profit entity that is subject to **donor-imposed restrictions**.*

Net assets without donor restrictions

*Part of net assets of a not-for-profit entity that is not subject to **donor-imposed restrictions**.*

Noncash contributions

***Contributions** of property, tangible or intangible, other than money. Noncash contributions include, but aren't limited to, stocks, bonds, and other **securities**; real estate; **works of art**; stamps, coins, and other **collectibles**; clothing and **household goods**; vehicles, boats, and airplanes; inventories of food, medical equipment or supplies, books, or seeds; intellectual property, including patents, trademarks, copyrights, and trade secrets; donated items that are sold immediately after donation, such as publicly traded stock or used cars; and items donated for sale at a charity auction. Noncash contributions don't include **volunteer** services performed for the reporting organization or donated use of materials, facilities, or equipment.*

Nonexempt charitable trust

A trust that meets the following conditions.

- *Isn't exempt from tax under section 501(a).*
- *All of its unexpired interests are devoted to charitable purposes.*
- *A charitable deduction was allowed for **contributions** to the trust under section 170, section 545(b)(2), section 642(c), section 2055, section 2106(a)(2), or section 2522, or for amounts paid by or permanently set aside by the trust under section 642(c).*

Nonqualified deferred compensation

***Deferred compensation** that is earned pursuant to a nonqualified plan or nongovernmental section 457 plan. Different rules can apply for purposes of identifying arrangements subject to sections 83, 409A, 457(f), and 3121(v). Earned but unpaid incentive compensation can be deferred pursuant to a nonqualified deferred compensation plan.*

Officer

*Unless otherwise provided (for example, Signature Block, principal officer in Heading), a person elected or appointed to manage the organization's daily operations at any time during the **tax year**, such as a president, vice president, secretary, treasurer, and, in some cases, Board Chair. The officers of an organization are determined by reference to its organizing document, bylaws, or resolutions of its governing body, or as otherwise designated consistent with state law, but at a minimum include those officers required by applicable state law. For purposes of Form 990, treat the organization's **top management official** and **top financial official** as officers.*

"On behalf of" issuer

*A corporation organized under the general nonprofit corporation law of a state whose obligations are considered obligations of a state or local **governmental unit**. See Rev. Proc. 82-26, 1982-1 C.B. 476, for a description of the circumstances under which the IRS will ordinarily issue an advance ruling that the obligations of a nonprofit corporation were issued on behalf of a state or local governmental unit. See also Rev. Rul. 63-20, 1963-1 C.B. 24; Rev. Rul. 59-41, 1959-1 C.B. 13; and Rev. Rul. 54-296, 1954-2 C.B. 59. An "on behalf of" issuer also includes any corporation organized by a state or local governmental unit specifically to issue **tax-exempt bonds** to further public purposes. See Rev. Rul. 57-187, 1957-1 C.B. 65.*

Organization manager

*For purposes of section 4958, any **officer**, **director**, or **trustee** of an **applicable tax-exempt organization**, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title.*

Political campaign activities

All activities that support or oppose candidates for elective federal, state, or local public office. It doesn't matter whether the candidate is elected. A candidate is one who offers himself or herself or is proposed by others for public office. Political campaign activity doesn't include any activity to encourage participation in the electoral process, such as voter registration or voter education, provided that the activity doesn't directly or indirectly support or oppose any candidate.

Political subdivision

*A division of any state or local **governmental unit** which is a municipal corporation or which has been delegated the right to exercise part of the sovereign power of the unit. Sovereign power includes the power to make and enforce laws.*

Possession of the United States

Includes the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the U.S. Virgin Islands.

Principal officer

*For purposes of the Heading on page 1 of Form 990 (but not for the purposes of the Signature Block or other parts of the Form 990), an officer of the organization who, regardless of title, has ultimate responsibility for implementing the decisions of the organization's **governing body**, or for supervising the management, administration, or operation of the organization.*

Private business use

*For purposes of Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, use by the organization or another 501(c)(3) organization in an **unrelated trade or business**. Private business use also generally includes any use by a nongovernmental person, other than a section 501(c)(3) organization, unless otherwise permitted through an exception or safe harbor provided under the regulations or a revenue procedure.*

Private foundation

*An organization described in section 501(c)(3) that isn't a **public charity**. Some private foundations are classified as operating foundations (also known as private operating foundations) under section 4942(j)(3) or exempt operating foundations under section 4940(d)(2). A private foundation retains its private foundation status until such status is terminated under section 507. Thus, a tax-exempt private foundation becomes a taxable private foundation if its section 501(c)(3) status is revoked.*

Proceeds

For purposes of Schedule K (Form 990), Supplemental Information on Tax-Exempt Bonds, generally the sale proceeds of an issue (other than those sale proceeds used to retire bonds of the issue that aren't deposited in a reasonably required reserve or replacement fund). Proceeds also include any investment proceeds from investments that accrue during the project period (net of rebate amounts attributable to the project period). See Regulations section 1.141-1(b).

Professional fundraising services

*Services performed for the organization requiring the exercise of professional judgment or discretion consisting of planning, management, preparation of materials (such as direct mail solicitation packages and applications for grants or other assistance), provision of advice and consulting regarding solicitation of **contributions**, and direct solicitation of **contributions**, such as soliciting restricted or unrestricted grants to provide services to the general public. However, professional fundraising doesn't include services provided by the organization's **employees** in their capacity as employees (except as provided in the instructions for Part I, line 16a), nor does professional fundraising include purely ministerial tasks, such as printing, mailing services, or receiving and depositing contributions to a charity, such as services provided by a bank or caging service.*

Program-related investment

Investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.

Public charity

An organization described in section 501(c)(3) and that is excepted from private foundation status because it is described in section 509(a)(1) (which cross-references sections 170(b)(1)(A)(i) through (vi), and (ix)), 509(a)(2), 509(a)(3), or 509(a)(4).

Publicly traded securities

Generally, include common and preferred stocks, bonds (including governmental obligations such as bonds and Treasury bills), mutual fund shares, and other investments listed and regularly traded in an over-the-counter market or an established exchange and for which market quotations are published or are otherwise readily available. (See further explanation in the instructions for Part X, line 11; and Schedule M (Form 990), Noncash Contributions, line 9).

Pull tabs

*Includes games in which an individual places a wager by purchasing preprinted cards that are covered with pull tabs. Winners are revealed when the individual pulls back the sealed tabs on the front of the card and compares the patterns under the tabs with the winning patterns preprinted on the back of the card. Included in the definition of pull tabs are "instant bingo," "mini bingo," and other similar scratch-off cards. Satellite, Internet, and progressive or event bingo are games conducted in many different places simultaneously and the winners aren't all present when the wagers are placed, the winners are determined, and the prizes are distributed. Revenue and expenses associated with satellite, Internet, and progressive bingo should be included under this category. However, certain bingo games within a hybrid gaming event (such as progressive or event bingo) can also qualify as bingo if the individual game meets the preceding definition of **bingo**.*

Qualified 501(c)(3) bond

*A **tax-exempt bond**, the proceeds of which are used by a section 501(c)(3) organization to advance its charitable purpose. Requirements generally applicable to a qualified section 501(c)(3) bond under section 145 include the following.*

*1. All property financed by the bond issue is to be owned by a section 501(c)(3) organization or a **governmental unit**.*

*2. At least 95% of net proceeds of the **bond issue** are used either by a **governmental unit** or a section 501(c)(3) organization in activities that aren't **unrelated trades or businesses** (determined by applying section 513).*

Qualified conservation contribution

*Any **contribution** of a qualified real property interest to a qualified organization exclusively for conservation purposes. A "qualified real property interest" means any of the following interests in real property.*

1. The entire interest of the donor.

2. A remainder interest.

3. A restriction (such as an easement), granted in perpetuity, on the use which may be made of the real property.

A "qualified organization" means an organization which is:
*a. A **governmental unit** described in section 170(c)(1);*
b. A publicly supported charitable organization described in sections 509(a)(1) and 170(b)(1)(A)(vi) or section 509(a)(2) (see the instructions for Parts II and III of Schedule A (Form 990)); or
*c. A **supporting organization** described in sections 501(c)(3) and 509(a)(3) that is controlled by a governmental unit or a publicly supported charitable organization.*

In addition, a qualified organization must have a commitment to protect the conservation purposes of a qualified conservation contribution, and have the resources to enforce the restrictions.

A "conservation purpose" means:

1. The preservation of land areas for outdoor recreation by, or the education of, the general public;

2. The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystems;

3. The preservation of open space (including farm and forest land) where such preservation will yield a significant public benefit and is for the scenic enjoyment of the general public or is pursuant to a clearly delineated federal, state, or local governmental conservation policy; or

4. The preservation of a historically important land area or a certified historic structure.

See section 170(h) for additional information, including special rules about the conservation purpose requirement for buildings in registered historic districts. See also ***Conservation easement****.*

Qualified state or local political organization

A type of political organization that meets the following requirements.

- *It limits its exempt function to the selection process relating solely to any state or local public office or office in a state or local political organization.*
- *It is required under a state law to report to a state agency (and does report) information that would otherwise be required to be reported on Form 8872, Political Organization Report of Contributions and Expenditures, or it is required to report under state law (and does report) at least the following information.*

1. The name and address of every person who contributes a total of $500 or more during the calendar year and the amount of each contribution.

2. The name and address of every person to whom the organization makes expenditures aggregating $800 or more during the calendar year, and the amount of each expenditure.

3. Any additional information specified in section 527(j)(3), if state law requires the reporting of that information to the state agency.

- *The state agency makes the reports filed by the organization publicly available.*
- *The organization makes the reports filed with the state agency publicly available in the manner described in section 6104(d).*
- *No federal candidate or office holder controls or materially participates in the direction of the organization, solicits* ***contributions*** *to the organization, or directs any of the organization's disbursements.*

Quasi-endowment

Net assets without donor restrictions designated by an entity's governing board to be invested to provide income for generally a long but not necessarily specified period. A ***board-designated endowment****, which results from an internal designation, is generally not donor-restricted and is classified as net assets without donor restrictions. The governing board has the right to decide at any time to expend such funds. Also referred to as a* ***"board-designated endowment."***

Reasonable compensation

The value that would ordinarily be paid for like services by like enterprises under like circumstances.

Reasonable effort

A reasonable amount of effort in information gathering that the organization is expected to undertake in order to provide information requested on Form 990. See the specific instructions for Part VI, lines 1b and 2; Part VII, Section A (compensation from related organizations); and Schedule L (Form 990), Parts III and IV, for examples of reasonable efforts.

Refunding escrow

One or more funds established as part of a single transaction or a series of related transactions, containing ***proceeds*** *of a* ***refunding issue*** *and any other amounts to provide for payment of principal or interest on one or more prior issues. See Regulations section 1.148-1(b).*

Refunding issue

*An issue of obligations, the **proceeds** of which are used to pay principal, interest, or redemption price on another issue (a prior issue), including the issuance costs, accrued interest, capitalized interest on the refunding issue, a reserve or replacement fund, or similar costs, if any, properly allocable to that refunding issue. A current refunding issue is a refunding issue that is issued not more than 90 days before the last expenditure of any proceeds of the refunding issue for the payment of principal or interest on the prior issue. An advance refunding issue is a refunding issue that isn't a current refunding issue. See Regulations sections 1.150-1(d)(1), 1.150-1(d)(3), and 1.150-1(d)(4).*

Related organization

*An organization, including a nonprofit organization, a stock corporation, a partnership or limited liability company, a trust, and a **governmental unit** or other government entity, that stands in one or more of the following relationships to the filing organization at any time during the **tax year**.*

- *Parent: an organization that **controls** the filing organization.*
- *Subsidiary: an organization **controlled** by the filing organization.*
- *Brother/Sister: an organization **controlled** by the same person or persons that control the filing organization. However, if the filing organization is a trust that has a bank or financial institution trustee that is also the trustee of another trust, the other trust isn't a Brother/Sister related organization of the filing organization on the ground of common control by the bank or financial institution trustee.*
- *Supporting/Supported: an organization that claims to be at any time during the **tax year**, or that is classified by the IRS at any time during the tax year, as (i) a **supporting organization** of the filing organization within the meaning of section 509(a)(3), if the filing organization is a **supported organization** within the meaning of section 509(f)(3); or (ii) a supported organization, if the filing organization is a supporting organization.*
- *Sponsoring Organization of a VEBA: an organization that establishes or maintains a section 501(c)(9) voluntary employees' beneficiary association (VEBA) during the tax year. A sponsoring organization of a VEBA also includes an employee organization, association, committee, joint board of trustees, or other similar group of representatives of the parties which establish or maintain a VEBA. Although a VEBA must report a sponsoring organization as a related organization, a sponsoring organization shouldn't report a VEBA as a related organization, unless the VEBA is related to the sponsoring organization in some other capacity described in this definition.*
- *Contributing Employer of a VEBA: an employer that makes a contribution or contributions to the VEBA during the tax year. Although a VEBA must report a contributing employer as a related organization, a contributing employer shouldn't report a VEBA as a related organization, unless the VEBA is related to the contributing employer in some other capacity described in this definition.*

The organization must determine its related organizations for purposes of completing Form 990, Parts VI (Governance), VII (Compensation), VIII (Statement of Revenue), and X (Balance Sheet); Schedule D (Form 990); Schedule J (Form 990); and Schedule R (Form 990). See the instructions for those parts and schedules for related organization reporting requirements.

Religious order

An organization described in Rev. Proc. 91-20, 1991-1 C.B. 524.

Reportable compensation

*In general, the aggregate **compensation** that is reported (or required to be reported, if greater) in box 1 or 5 of Form W-2 (whichever amount is greater); box 1 of Form 1099-NEC; and/or in box 6 of Form 1099-MISC, for the calendar year ending with or within the organization's **tax year**. For foreign persons who receive U.S. source income, reportable compensation includes the amount reportable in box 2 of Form 1042-S. For persons for whom compensation reporting on Form W-2, 1099-NEC, 1099-MISC, or 1042-S isn't required (certain foreign persons, institutional trustees, and persons whose compensation was below the $600 reporting threshold for Form 1099-NEC or 1099-MISC), reportable compensation includes the total value of the compensation paid in the form of cash or property during the calendar year ending with or within the organization's tax year.*

Review of financial statement

*An examination of an organization's financial records and practices by an independent accountant with the objective of assessing whether the **financial statements** are plausible, without the extensive testing and external validation procedures of an audit.*

School

An organization, the primary function of which is the presentation of formal instruction, and which has a regular faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted.

Security/securities

*Any bond, debenture, note, or certificate or other evidence of indebtedness issued by a corporation, government or **political subdivision**, share of stock, voting trust certificate, or any certificate of interest or participation in, certificate of deposit or receipt for, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of the foregoing.*

Short accounting period

*An accounting period of less than 12 months, which exists when an organization changes its annual accounting period, and which can exist in its initial or final year of existence (see **Tax year**).*

Short period

*See **Short accounting period**.*

Significant disposition of net assets

*A disposition of net assets, consisting of a sale, exchange, disposition, or other transfer of more than 25% of the **FMV**of the organization's net assets during the year, whether or not the organization received full or adequate consideration. A significant disposition of net assets involves:*

*1. One or more dispositions during the organization's **tax year**, amounting to more than 25% of the FMV of the organization's net assets as of the beginning of its tax year; or*

2. One of a series of related dispositions or events begun in a prior year that, when combined, comprise more than 25% of the FMV of the organization's net assets as of the beginning of the tax year when the first disposition in the series was made. Whether a significant disposition of net assets occurred through a series of related dispositions depends on the facts and circumstances in each case.

Examples of the types of transactions that are "a significant disposition of net assets" required to be reported on Schedule N (Form 990), Liquidation, Termination, Dissolution, or Significant Disposition of Assets, Part II, include:

- *Taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (a social club described in section 501(c)(7) selling land or an exempt organization selling assets it had used to further its exempt purposes);*
- *Sales, **contributions**, or other transfers of assets to establish or maintain a partnership, **joint venture**, or corporation (for-profit or nonprofit) whether or not the sales or transfers are governed by section 721 or section 351, whether or not the transferor received an ownership interest in exchange for the transfer;*
- *Sales of assets by a partnership or joint venture in which the exempt partner has an ownership interest; and*
- *Transfers of assets pursuant to a reorganization in which the organization is a surviving entity.*

The following types of situations aren't considered significant dispositions of net assets for purposes of Schedule N, Part II.

- *The change in composition of **publicly traded securities** held in an exempt organization's passive investment portfolio.*
- *Asset sales made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes, for example, gross sales of inventory.*
- *Grants or other assistance made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes, for example, the regular charitable distributions of a United Way or other federated fundraising organization.*
- *A decrease in the value of net assets due to market fluctuation in the value of assets held by the organization.*
- *Transfers to a **disregarded entity** of which the organization is the sole member.*

Sponsoring organization

Any organization which is all of the following.

- *Described in section 170(c), other than governmental units described in section 170(c)(1) and without regard to section 170(c)(2)(A).*
- *Not a **private foundation** as defined in section 509(a).*
- *Maintains one or more **donor advised funds**.*

State of legal domicile	*For a corporation, the state of incorporation (country of incorporation for a foreign corporation formed outside the United States). For a trust or other entity, the state whose law governs the organization's internal affairs (the foreign country whose law governs for a foreign organization other than a corporation).*
Subordinate organization	*One of the organizations, typically local in nature, that is recognized as exempt in a **group exemption** letter and subject to the general supervision and control of a **central organization**.*
Supported organization	*A **public charity** described in section 509(a)(1) or 509(a)(2) supported by a **supporting organization** described in section 509(a)(3).*
Supporting organization	*A public charity claiming status on Form 990 or otherwise under section 509(a)(3). A supporting organization is organized and operated exclusively to support one or more **supported organizations**. A supporting organization that is operated, supervised, or controlled by one or more supported organizations is a Type I supporting organization. The relationship of a Type I supporting organization with its supported organization(s) is comparable to that of a parent-subsidiary relationship. A supporting organization supervised or controlled in connection with one or more supported organizations is a Type II supporting organization. A Type II supporting organization is controlled or managed by the same persons that control or manage its supported organization(s). A supporting organization that is operated in connection with one or more supported organizations is a Type III supporting organization. A Type III supporting organization is further considered either functionally integrated with its supported organization(s) or not functionally integrated with its supported organization(s) (Type III other). Finally, a supporting organization can't be controlled directly or indirectly by one or more **disqualified persons** (as defined in section 4946), other than foundation managers and other than one or more public charities described in section 509(a)(1) or (2).*
Tax-exempt bond	*An obligation issued by or on behalf of a **governmental issuer** on which the interest paid is excluded from the holder's gross income under section 103. For this purpose, a bond can be any form of indebtedness under federal tax law, including a bond, note, loan, or lease-purchase agreement.*
Tax year	*The annual accounting period for which the Form 990 is being filed, whether the calendar year ending December 31 or a fiscal year ending on the last day of any other month. The organization may have a short tax year in its first year of existence, in any year when it changes its annual accounting period (for example, from a December 31 year-end to a June 30 year-end), and in its last year of existence (for example, when it merges into another organization or dissolves). See also **Current year**, **Fiscal year**, and **Short period**.*
Term endowment	*An endowment fund established to provide income for a specified period.*
Top financial official	*The person who has ultimate responsibility for managing the organization's finances, for example, the treasurer or chief financial officer.*
Top management official	*A person who has ultimate responsibility for implementing the decisions of the organization's **governing body** or for supervising the management, administration, or operation of the organization (for example, the organization's president, CEO, or executive director).*
Total assets	*The amount reported on Form 990, Part X, line 16, column (B).*
Trustee	*See **Director or trustee**.*
United States	*Unless otherwise provided, includes the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the U.S. Virgin Islands.*
Unrelated business	*See **Unrelated trade or business**.*
Unrelated business income	*Income from an **unrelated trade or business** as defined in section 513.*
Unrelated business gross income	*Gross income from an **unrelated trade or business** as defined in section 513.*
Unrelated organization	*An organization that isn't a **related organization** to the filing organization.*

Unrelated trade or business

Any trade or business, the conduct of which isn't substantially related to the exercise or performance by the organization of its charitable, educational, or other purpose or function constituting the basis for its exemption. See Pub. 598 and the Instructions for Form 990-T for a discussion of what is an unrelated trade or business.

U.S. possession

*See **Possession of the United States**.*

Volunteer

A person who serves the organization without compensation, for example, a member of the organization's governing body who serves the organization without compensation. "Compensation" for this purpose includes tips and noncash benefits, except for:

- *Reimbursement of expenses under a reimbursement or other expense allowance arrangement in which there is adequate accounting to the organization,*
- *Working condition fringe benefits described in section 132,*
- *Liability insurance coverage for acts performed on behalf of the exempt organization, and*
- *De minimis fringe benefits.*

Voting member of the governing body

*A member of the organization's **governing body** with power to vote on all matters that may come before the governing body (other than a conflict of interest that disqualifies the member from voting).*

Works of art

*Include paintings, sculptures, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, photography, film, video, installation and multimedia arts, rare books and manuscripts, historical memorabilia, and other similar objects. Art doesn't include **collectibles**.*

Year of formation

The year in which the organization was created or formed under applicable state law (if a corporation, the year of incorporation).

Appendix of Special Instructions to Form 990

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Appendix A. Exempt Organizations Reference Chart

Type of Organization	Internal Revenue Code Section
Corporations Organized Under Act of Congress	501(c)(1)
Title Holding Corporations	501(c)(2)
Charitable, Religious, Educational, Scientific, etc., Organizations	501(c)(3)
Civic Leagues and Social Welfare Organizations	501(c)(4)
Labor, Agricultural, and Horticultural Organizations	501(c)(5)
Business Leagues, etc.	501(c)(6)
Social and Recreation Clubs	501(c)(7)
Fraternal Beneficiary and Domestic Fraternal Societies and Associations	501(c)(8) & (c)(10)
Voluntary Employees' Beneficiary Associations	501(c)(9)
Teachers' Retirement Fund Associations	501(c)(11)
Benevolent Life Insurance Associations, Mutual Ditch or Irrigation Companies, Mutual or Cooperative Telephone Companies, etc.	501(c)(12)
Cemetery Companies	501(c)(13)
State-Chartered Credit Unions, Mutual Reserve Funds	501(c)(14)
Insurance Companies or Associations Other Than Life	501(c)(15)
Cooperative Organizations to Finance Crop Operations	501(c)(16)
Supplemental Unemployment Benefit Trusts	501(c)(17)
Employee Funded Pension Trusts (created before June 25, 1959)	501(c)(18)
Organizations of Past or Present Members of the Armed Forces	501(c)(19) & (c)(23)
Black Lung Benefit Trusts	501(c)(21)
Withdrawal Liability Payment Funds	501(c)(22)
Trusts described in section 4049 of the Employer Retirement Income Security Act	501(c)(24)
Title Holding Corporations or Trusts	501(c)(25)
State-Sponsored Organizations Providing Health Coverage for High-Risk Individuals	501(c)(26)
State-Sponsored Workmen's Compensation and Insurance and Reinsurance Organizations	501(c)(27)
National Railroad Retirement Investment Trust	501(c)(28)
Qualified Nonprofit Health Insurance Issuers	501(c)(29)
Religious and Apostolic Associations	501(d)
Cooperative Hospital Service Organizations	501(e)

Cooperative Service Organizations of Operating Educational Organizations	501(f)
Amateur Sports Organizations	501(j)
Child Care Organizations	501(k)
Charitable Risk Pools	501(n)
Political Organizations	527

Appendix B. How To Determine Whether an Organization's Gross Receipts Are Normally $50,000 (or $5,000) or Less

To figure whether an organization has to file Form 990-EZ (or Form 990), apply the $50,000 (or $5,000) gross receipts test (below) using the following definition of gross receipts and information in *Figuring Gross Receipts* below.

Gross Receipts

Gross receipts are the total amounts the organization received from all sources during its annual tax year (including short years) without subtracting any costs or expenses.

Don't use the definition of gross receipts described in Appendix C. Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations *to figure gross receipts for this purpose. Those tests are limited to determining the exempt status of section 501(c)(7) and 501(c)(15) organizations.*

Gross receipts when acting as an agent. If a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from them, the local chapter doesn't include the premiums in its gross receipts. The parent lodge reports them instead. The same treatment applies in other situations in which one organization collects funds merely as an agent for another.

Figuring Gross Receipts

Figure gross receipts for Form 990 and 990-EZ as follows.

Form 990. Gross receipts are the sum of lines 6b(i), 6b(ii), 7b(i), 7b(ii), 8b, 9b, 10b, and 12 (column (A)) of Form 990, Part VIII.

Form 990-EZ. Gross receipts are the sum of lines 5b, 6c, 7b, and 9 of Form 990-EZ, Part I.

Example. Organization M reported $50,000 as total revenue on line 9 of its Form 990-EZ. M added back the costs and expenses it had deducted on lines 5b ($2,000), 6c ($1,500), and 7b ($500) to its total revenue of $50,000 and determined that its gross receipts for the tax year were $54,000.

$50,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally $50,000 or less, apply the following test. An organization's gross receipts are considered to be normally $50,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, $75,000 or less during its first tax year;
2. Between 1 and 3 years old and averaged $60,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged $50,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

If the organization's gross receipts are normally $50,000 or less, it must submit Form 990-N, Electronic Notice (e-Postcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ, if it chooses not to file Form 990 or 990-EZ. In general, organizations excepted from filing Form 990 or 990-EZ because of low gross receipts must submit Form 990-N. See filing exceptions described under *General Instructions, Section B,* earlier.

$5,000 Gross Receipts Test

To determine whether an organization's gross receipts are normally $5,000 or less, apply the following test. An organization's gross receipts are considered to be normally $5,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, $7,500 or less during its first tax year;
2. Between 1 and 3 years old and averaged $6,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged $5,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

Appendix C. Special Gross Receipts Tests for Determining Exempt Status of Section 501(c)(7) and 501(c)(15) Organizations

Section 501(c)(7) organizations (social clubs) and section 501(c)(15) organizations (insurance companies) apply the same gross receipts test as other organizations to determine whether they must file Form 990 or 990-EZ. However, section 501(c)(7) and section 501(c)(15) organizations are also subject to separate gross receipts tests to determine whether they qualify as tax exempt for the tax year. The following tests use a special definition of gross receipts for purposes of determining whether these organizations are exempt for a particular tax year.

Section 501(c)(7). A section 501(c)(7) organization can receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax exempt. Part of the 35% (up to 15% of gross receipts) can be from public use of a social club's facilities.

Gross receipts, for purposes of determining the tax-exempt status of section 501(c)(7) organizations, are the club's income from its usual activities and include:

- Charges;
- Admissions;
- Membership fees;
- Dues;
- Assessments; and

- Investment income (dividends, rents, and similar receipts), and normal recurring capital gains on investments.

Gross receipts for this purpose don't include capital contributions (see Regulations section 1.118-1), initiation fees, or unusual amounts of income (the sale of the clubhouse).

College fraternities or sororities or other organizations that charge membership initiation fees, but not annual dues, must include initiation fees in their gross receipts.

Section 501(c)(15). If any section 501(c)(15) insurance company (other than life insurance) meets both parts of the following test, then the company can file Form 990 (or Form 990-EZ, if applicable).

1. The company's gross receipts must be equal to or less than $600,000.

2. The company's premiums must be more than 50% of its gross receipts.

If the company didn't meet this test and the company is a mutual insurance company, then it must meet the *Alternate test* next to qualify to file Form 990 (or Form 990-EZ, if applicable). Insurance companies that don't qualify as tax exempt must file Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return, or Form 1120, U.S. Corporation Income Tax Return, as taxable entities for the year. See Notice 2006-42, 2006-19 I.R.B. 878.

Alternate test. If any section 501(c)(15) insurance company (other than life insurance) is a mutual insurance company and it didn't meet the above test, then the company must meet both parts of the following alternate test.

1. The company's gross receipts must be equal to or less than $150,000.

2. The company's premiums must be more than 35% of its gross receipts.

If the company doesn't meet either test, then it must file Form 1120-PC or Form 1120 (if the company isn't entitled to insurance reserves) instead of Form 990 or 990-EZ.

The alternate test doesn't apply if any employee of the mutual insurance company or a member of the employee's family is an employee of another company that is exempt under section 501(c)(15) (or would be exempt if this provision didn't apply).

Gross receipts. To determine whether a section 501(c)(15) organization satisfies either of the above tests described in *Appendix C*, figure gross receipts by adding:

1. Premiums (including deposits and assessments) without reduction for return premiums or premiums paid for reinsurance;

2. Gross investment income of a non-life insurance company (as described in section 834(b)); and

3. Other items that are included in the filer's gross income under subchapter B, chapter 1, subtitle A, of the Code.

This definition doesn't, however, include contributions to capital. For more information, see Notice 2006-42.

Premiums. Premiums consist of all amounts received as a result of entering into an insurance contract. They are reported on Form 990, Part VIII, line 2, or on Form 990-EZ, Part I, line 2.

Anti-abuse rule. The anti-abuse rule, found in section 501(c)(15)(C), explains how gross receipts (including premiums) from all members of a controlled group are aggregated in figuring the above tests.

Appendix D. Public Inspection of Returns

Some members of the public rely on Form 990, or 990-EZ, as the primary or sole source of information about a particular organization. How the public perceives an organization in those cases may be determined by the information presented on its returns.

An organization's completed Form 990 or 990-EZ is available for public inspection as required by section 6104. Schedule B (Form 990), Schedule of Contributors, is open for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or 990-EZ, the names and addresses of contributors listed on Schedule B aren't required to be made available for public inspection. All other information reported on Schedule B, including the amount of contributions, the description of noncash contributions, and any other information, is required to be made available for public inspection unless it clearly identifies the contributor. Form 990-T filed after August 17, 2006, by a section 501(c)(3) organization to report any unrelated business income is also available for public inspection and disclosure.

Through the IRS

Use Form 4506-A, Request for a Copy of Exempt or Political Organization IRS Form, to request:

- A copy of an exempt or political organization's return, report, notice, or exemption application; or
- An inspection of a return, report, notice, or exemption application at an IRS office.

The IRS can provide copies of exempt organization returns on DVD. Requesters can order the complete set (for example, all Forms 990 and 990-EZ or all Forms 990-PF filed for a year) or a partial set by state or by month. If you are ordering a partial set on DVD, indicate the format (Alchemy or raw), state(s), and month(s) you are ordering. Sample DVD requests aren't available for individual states. DVDs and sample DVDs aren't available for individual exempt organizations. Complete information, including the cost, is available on the IRS website. Search Copies of EO Returns Available at *IRS.gov/Charities-Non-Profits/Copies-of-EO-Returns-Available*.

The IRS can't disclose portions of an exemption application relating to any trade secrets, etc. Additionally, the IRS generally can't disclose the names and addresses of contributors. See the Instructions for Schedule B (Form 990) for more information about the disclosure of that schedule.

Notice 2008-49, 2008-20 I.R.B. 979, provides interim guidance regarding the requirement that section 501(c)(3) organizations and the IRS make available for public inspection Form 990-T.

Form 990 or 990-EZ can only be requested for section 527 organizations for tax years beginning after June 30, 2000.

A return, report, notice, or exemption application can be inspected at an IRS office free of charge. Copies of these items can also be obtained through the organization as discussed in the following section.

Through the Organization

Public inspection and distribution of certain returns of unrelated business income. Section 501(c)(3) organizations that are required to file Form 990-T after August 17, 2006, must make Form 990-T available for public inspection under section 6104(d)(1)(A)(ii).

Public inspection and distribution of returns and reports for a political organization. Section 527 political organizations required to file Form 990 or 990-EZ must, in general, make their Forms 8871, 8872, 990, or 990-EZ available for public inspection in the same manner as annual information returns of section 501(c) organizations are made available. See *Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations,* later. Generally, Form 8871 and Form 8872 are available for inspection and printing at *IRS.gov/Charities-and-Nonprofits*.

Note that a section 527 political organization (and an organization filing Form 990-PF) must disclose their Schedule B (Form 990). See the Instructions for Schedule B. The penalties discussed in General Instructions, Section H, Failure-To-File Penalties*, earlier, also apply to section 527 political organizations (Rev. Rul. 2003-49, 2003-20 I.R.B. 903).*

Public inspection and distribution of applications for tax exemption and annual information returns of tax-exempt organizations. Under Regulations sections 301.6104(d)-1 through -3, a tax-exempt organization must:

- Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional, and district offices during regular business hours;
- Make each annual information return available for a period of 3 years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later; and
- Provide a copy without charge (for Form 990-T, this requirement applies only to Forms 990-T filed after August 17, 2006), other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for a copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and -3).

Definitions

Tax-exempt organization is any organization that is described in section 501(c) or (d) and is exempt from taxation under section 501(a). The term "tax-exempt organization" also includes any section 4947(a)(1) nonexempt charitable trust or nonexempt private foundation that is subject to the reporting requirements of section 6033.

Application for tax exemption includes:

- Any prescribed application form (Form 1023, 1023-EZ, 1024, or 1024-A),
- All documents and statements the IRS requires an applicant to file with the form,
- Any statement or other supporting document submitted in support of the application, and
- Any letter or other document issued by the IRS concerning the application.

Application for tax exemption doesn't include:

- Any application for tax exemption filed before July 15, 1987, unless the organization filing the application had a copy of the application on July 15, 1987;
- In the case of a tax-exempt organization other than a private foundation, the name and address of any contributor to the organization; or
- Any material that isn't available for public inspection under section 6104.

If there is no prescribed application form, see Regulations section 301.6104(d)-1(b)(3)(ii).

Annual information return includes:

- An exact copy of the Form 990 or Form 990-EZ filed by a tax-exempt organization as required by section 6033,
- Any amended return the organization files with the IRS after the date the original return is filed (both the original and amended return are subject to the public inspection requirements), or
- An exact copy of Form 990-T if one is filed by a section 501(c)(3) organization.

The copy must include all information furnished to the IRS on Form 990, 990-EZ, or 990-T as well as all statements, attachments, and supporting documents, except for the name and address of any contributor to the organization. See the Instructions for Schedule B (Form 990). However, statements, attachments, and supporting documents filed with Form 990-T that don't relate to the imposition of unrelated business income tax aren't required to be made available for public inspection and copying. See Notice 2008-49.

Annual returns more than 3 years old. An annual information return doesn't include any return after the expiration of 3 years from the date the return is required to be filed (including any extension of time that has been granted for filing the return) or is actually filed, whichever is later.

If an organization files an amended return, however, the amended return must be made available for a period of 3 years beginning on the date it is filed with the IRS.

Local or subordinate organizations. For rules relating to annual information returns of local or subordinate organizations, see Regulations section 301.6104(d)-1(f)(2).

Regional or district offices. A regional or district office is any office of a tax-exempt organization, other than its principal office, that has paid employees, whether part-time or full-time, whose aggregate number of paid hours a week is normally at least 120.

A site isn't considered a regional or district office, however, if:

- The only services provided at the site further exempt purposes (daycare, health care, scientific or medical research); and
- The site doesn't serve as an office for management staff, other than managers who are involved solely in managing the exempt function activities at the site.

Special Rules Relating to Public Inspection

Permissible conditions on public inspection. A tax-exempt organization:

- Can have an employee present in the room during an inspection;
- Must allow the individual conducting the inspection to take notes freely during the inspection; and
- Must allow the individual to photocopy the document at no charge, if the individual provides photocopying equipment at the place of inspection.

Organizations that don't maintain permanent offices. A tax-exempt organization with no permanent office:

- Must make its application for tax exemption and its annual information returns available for inspection at a reasonable location of its choice;
- Must permit public inspection within a reasonable amount of time after receiving a request for inspection (normally not more than 2 weeks) and at a reasonable time of day;
- Can mail, within 2 weeks of receiving the request, a copy of its application for tax exemption and annual information returns to the requester instead of allowing an inspection; and
- Can charge the requester for copying and actual postage costs only if the requester consents to the charge.

An organization that has a permanent office, but has no office hours, or very limited hours during certain times of the year, must make its documents available during those periods when office hours are limited, or not available, as though it were an organization without a permanent office.

Special Rules Relating to Copies

Time and place for providing copies in response to requests made in person. A tax-exempt organization must:

- Provide copies of required documents under section 6104(d) in response to a request made in person at its principal, regional, and district offices during regular business hours; and
- Provide copies to a requester on the day the request is made, except for unusual circumstances (explained next).

Unusual circumstances. In the case of an in-person request, where unusual circumstances exist so that fulfilling the request on the same business day causes an unreasonable burden to the tax-exempt organization, the organization must provide the copies no later than the next business day following the day that

the unusual circumstances cease to exist, or the 5th business day after the date of the request, whichever occurs first.

Unusual circumstances include:

- Requests received that exceed the organization's daily capacity to make copies;
- Requests received shortly before the end of regular business hours that require an extensive amount of copying; or
- Requests received on a day when the organization's managerial staff capable of fulfilling the request is conducting special duties (student registration or attending an off-site meeting or convention), rather than its regular administrative duties.

Agents for providing copies. For rules relating to use of agents to provide copies, see Regulations sections 301.6104(d)-1(d)(1)(iii) and -1(d)(2)(ii)(C).

Request for copies in writing. A tax-exempt organization must honor a written request for a copy of documents (or the requested part) required under section 6104(d) if the request:

1. Is addressed to (and delivered by mail, electronic mail, facsimile, or a private delivery service, as defined in section 7502(f)) a principal, regional, or district office of the organization; and
2. Sets forth the address to which the copy of the documents should be sent.

Time and Manner of Fulfilling Written Requests

IF the organization...	THEN the organization...
receives a written request for a copy	must mail the copy of the requested documents (or the requested parts) within 30 days from the date it receives the request.
mails the copy of the requested document	is deemed to have provided the copy on the postmark date or private delivery mark (if sent by certified or registered mail, the date of registration or the date of the postmark on the sender's receipt).
requires payment in advance	is required to provide the copies within 30 days from the date it receives payment.
receives a request or payment by mail	is deemed to have received it 7 days after the date of the postmark, absent evidence to the contrary.
receives a request transmitted by email or facsimile	is deemed to have received it the day the request is transmitted successfully.
receives a written request without payment or with an insufficient payment, when payment in advance is required	must notify the requester of the prepayment policy and the amount due within 7 days from the date of the request's receipt.
receives consent from an individual making a request	can provide a copy of the requested document exclusively by email (the material is provided on the date the organization successfully transmits the email).

Request for a copy of parts of a document. A tax-exempt organization must fulfill a request for a copy of the organization's entire application for tax exemption or annual information return or any specific part or schedule of its application or return. A request for a copy of less than the entire application or less than the entire return must specifically identify the requested part or schedule.

Fees for copies. A tax-exempt organization can charge a reasonable fee for providing copies. Before the organization provides the documents, it can require that the individual requesting copies of the documents pay the fee. If the organization has provided an individual making a request with notice of the fee, and the individual doesn't pay the fee within 30 days, or if the individual pays the fee by check and the check doesn't clear upon deposit, the organization can disregard the request.

Form of payment.

a. Request made in person. If a tax-exempt organization charges a fee for copying, it must accept payment by cash and money order for requests made in person. The organization can accept other forms of payment, such as credit cards and personal checks.

b. Request made in writing. If a tax-exempt organization charges a fee for copying and postage, it must accept payment by certified check, money order, and either personal check or credit card for requests made in writing. The organization can accept other forms of payment.

Avoidance of unexpected fees. Where a tax-exempt organization doesn't require prepayment and a requester doesn't enclose payment with a request, an organization must receive consent from a requester before providing copies for which the fee charged for copying and postage exceeds $20.

Documents to be provided by regional and district offices. Except as otherwise provided, a regional or district office of a tax-exempt organization must satisfy the same rules as the principal office for allowing public inspection and providing copies of its application for tax exemption and annual information returns.

A regional or district office isn't required, however, to make its annual information return available for inspection or to provide copies until 30 days after the date the return is required to be filed (including any extension of time that is granted for filing the return) or is actually filed, whichever is later.

Documents Provided by Local and Subordinate Organizations

Applications for tax exemption. Except as otherwise provided, a tax-exempt organization that didn't file its own application for tax exemption (because it is a local or subordinate organization covered by a group exemption letter) must, upon request, make available for public inspection, or provide copies of, the application submitted to the IRS by the central or parent organization to obtain the group exemption letter and those documents which were submitted by the central or parent organization to include the local or subordinate organization in the group exemption letter.

However, if the central or parent organization submits to the IRS a list or directory of local or subordinate organizations covered by the group exemption letter, the local or subordinate organization is required to provide only the application for the group exemption ruling and the pages of the list or directory that specifically refer to it. The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day. See Regulations section 301.6104(d)-1(f) for further information.

Annual information returns. A local or subordinate organization that doesn't file its own annual information return (because it is affiliated with a central or parent organization that files a group return) must, upon request, make available for public inspection, or provide

copies of, the group returns filed by the central or parent organization.

However, if the group return includes separate statements for each local or subordinate organization included in the group return, the local or subordinate organization receiving the request can omit any statements relating only to other organizations included in the group return.

The local or subordinate organization must permit public inspection, or comply with a request for copies made in person, within a reasonable amount of time (normally not more than 2 weeks) after receiving a request made in person for public inspection or copies and at a reasonable time of day.

When a requester seeks inspection, the local or subordinate organization can:

- Mail a copy of the applicable documents to the requester within the same time period instead of allowing an inspection; and
- Charge the requester for copying and actual postage costs, if the requester consents to the charge.

If the local or subordinate organization receives a written request for a copy of its annual information return, it must fulfill the request by providing a copy of the group return in the time and manner specified in *Request for copies in writing*, earlier.

The requester has the option of requesting from the central or parent organization, at its principal office, inspection or copies of group returns filed by the central or parent organization. The central or parent organization must fulfill the requests in the time and manner specified in *Special Rules Relating to Public Inspection* and *Special Rules Relating to Copies*, earlier.

Failure to comply. Any person who doesn't comply with the public inspection requirements will be assessed a penalty of $20 for each day that inspection wasn't permitted, up to a maximum of $10,000 for each return. Organizations with gross receipts exceeding $1 million will be assessed a penalty of $100 for each day, not to exceed $50,000 for each return. The penalties for failure to comply with the public inspection requirements for applications are the same as those for annual returns, except that the $10,000 limitation doesn't apply (sections 6652(c)(1)(C) and (D)). Any person who willfully fails to comply with the public inspection requirements for annual returns or exemption applications will be subject to an additional penalty of $5,000 (section 6685).

Making Applications and Returns Widely Available

A tax-exempt organization isn't required to comply with a request for a copy of its application for tax exemption or an annual information return if the organization has made the requested document widely available (see below).

An organization that makes its application for tax exemption and/or annual information return widely available must also make the document available for public inspection, as required under Regulations section 301.6104(d)-1(a).

A tax-exempt organization makes its application for tax exemption and/or an annual information return widely available if the organization complies with the Internet posting requirements and the notice requirements given below.

Internet posting. A tax-exempt organization can make its application for tax exemption and/or an annual information return widely available by posting the document on a web page that the tax-exempt organization establishes and maintains, or by having the document posted, as part of a database of similar documents of other tax-exempt organizations, on a web page established and maintained by another entity. The document will be considered widely available only if:

- The web page through which it is available clearly informs readers that the document is available and provides instructions for downloading it;
- The document is posted in a format that, when accessed, downloaded, viewed, and printed in hard copy, exactly reproduces the image of the application for tax exemption or annual information return as it was originally filed with the IRS, except for any information permitted by statute to be withheld from public disclosure; and
- Any individual with access to the Internet can access, download, view, and print the document without special computer hardware or software required for that format (other than software that is readily available to members of the public without payment of any fee) and without payment of a fee to the tax-exempt organization or to another entity maintaining the web page.

Reliability and accuracy. In order for the document to be widely available through an Internet posting, the entity maintaining the web page must have procedures for ensuring the reliability and accuracy of the document that it posts on the page and must take reasonable precautions to prevent alteration, destruction, or accidental loss of the document when posted on its page. In the event that a posted document is altered, destroyed, or lost, the entity must correct or replace the document.

Notice requirement. If a tax-exempt organization has made its application for tax exemption and/or an annual information return widely available, it must notify any individual requesting a copy where the documents are available (including the address on the Internet, if applicable). If the request is made in person, the organization must provide the notice to the individual immediately. If the request is made in writing, the notice must be provided within 7 days of receiving the request.

Tax-Exempt Organization Subject to Harassment Campaign

Under section 6104(d)(4), if the Office of Associate Chief Counsel (Tax Exempt and Government Entities) determines that the organization is being harassed, a tax-exempt organization isn't required to comply with any request for copies that it reasonably believes is part of a harassment campaign.

Whether a group of requests is a harassment campaign depends on the relevant facts and circumstances such as:

- A sudden increase in requests,
- An extraordinary number of requests by form letters or similarly worded correspondence,
- Hostile requests,
- Evidence showing bad faith or deterrence of the organization's exempt purpose,
- Prior provision of the requested documents to the purported harassing group, and
- A demonstration that the organization routinely provides copies of its documents upon request.

A tax-exempt organization can disregard any request for copies of all or part of any document beyond the first two received within any 30-day period or the first four received within any 1-year period from the same individual or the same address, whether or not the Office of Associate Chief Counsel (Tax Exempt and Government Entities) has determined that the organization is subject to a harassment campaign.

A tax-exempt organization can apply for a determination that it is the subject of a harassment campaign and that compliance with requests that are part of the campaign wouldn't be in the public interest by submitting a signed application to the Office of Associate Chief Counsel (Tax Exempt and Government Entities). See Rev. Proc. 2022-1, 2022-1 I.R.B. 1, or as updated annually.

In addition, the organization can suspend compliance with any request it reasonably believes to be part of the harassment campaign until it receives a response to its application for a harassment campaign determination. However, if the Office of Associate Chief Counsel (Tax Exempt and Government Entities) determines that the organization didn't have a reasonable basis for requesting a determination that it was subject to a harassment campaign or reasonable belief that a request was part of the campaign, the officer, director, trustee, employee, or other responsible individual of the organization remains liable for any penalties for not providing the copies in a timely fashion. See Regulations section 301.6104(d)-3.

Appendix E. Group Returns—Reporting Information on Behalf of the Group

Except where otherwise instructed, where a line calls for a dollar amount or numerical data, the **central organization** filing the **group return** must aggregate the data from all the **subordinate organizations** included in the group return and report the aggregate number. For example, in answering Form 990, Part I, line 6, the total number of volunteers for all of the subordinate organizations would be reported.

For purposes of Form 990, Part III, summarize the mission and activities of all of the subordinate organizations as if all of the subordinate organizations were one entity.

In general, if a line requires a “Yes” or “No” answer and the answer isn't the same for all subordinate organizations to which the line applies, then check “Yes,” and explain the answer in the schedule's supplemental information section (if applicable) or on Schedule O (Form 990). For the following lines, however, check “No” if the answer is “No” for any of the subordinates to which the line applies, and explain on Schedule O.

- Form 990, Part V, lines 1c, 2b, 3b, 5c, 6b, 7b, 7g, and 7h.
- Form 990, Part VI, lines 8a, 8b, 10b, 12b, and 12c.
- Schedule C (Form 990) (Political Campaign and Lobbying Activities), Part I-B, lines 3 and 4a.
- Schedule C (Form 990), Part I-C, line 4.
- Schedule C (Form 990), Part II-A, line 1j.
- Schedule C (Form 990), Part II-B, line 2d.
- Schedule C (Form 990), Part III-A, lines 1–3.
- Schedule D (Form 990) (Supplemental Financial Statements), Part I, lines 5 and 6.
- Schedule D (Form 990), Part II, lines 5 and 8.
- Schedule E (Form 990) (Schools), lines 1–4d and 7.
- Schedule F (Form 990) (Statement of Activities Outside the United States), Part I, line 1.
- Schedule G (Form 990) (Supplemental Information Regarding Fundraising or Gaming Activities), Part III, line 9a.
- Schedule I (Form 990) (Grants and Other Assistance to Organizations, Governments, and Individuals in the United States), Part I, line 1.
- Schedule J (Form 990) (Compensation Information), Part I, lines 1b and 2.
- Schedule M (Form 990) (Noncash Contributions), Part I, line 31.
- Schedule N (Form 990) (Liquidation, Termination, Dissolution, or Significant Disposition of Assets), Part I, lines 3, 4a–b, 5, and 6a–c.

The following is a list of other special instructions for group returns.

1. **Item B. Final return/terminated.** If the **central organization** is terminating its **group exemption** and filing its final **group return**, don't check the “Final return/terminated” box. Refer to Rev. Proc. 80-27, 1980-1 C.B. 677, as modified, for procedures for terminating the group exemption.

2. **Item C. Name.** Enter the name of the group exemption. Note that the group exemption may have a different name than the central organization's name.

3. **Item D. EIN.** Use the special **EIN** (separate from the central organization's EIN) that is issued solely for the purposes of the group return. The central organization must have received a group exemption letter before it can file a group ruling.

4. **Items E, F, and J.** Enter information for the central organization only.

5. **Item H. Group returns.** If the organization answers “Yes” to Item H(a) but “No” to Item H(b) (not all subordinate organizations are included in the group return), then attach a list (not on Schedule O (Form 990)) showing the name, address, and EIN of each subordinate organization included in the group return. Additionally, attach a list (not on Schedule O (Form 990)) showing the name, address, and EIN of each subordinate organization not included in the group return. See Regulations section 1.6033-2(d)(2)(ii).

6. **Item K. Form of organization.** Check “Other” if the group has more than one form of organization.

7. **Item L. Year of formation.** Leave blank for group return.

8. **Item M. State of legal domicile.** Leave blank for group return.

9. **Part IV, lines 14b–19, 21–22, and 29, dollar thresholds.** Apply the dollar thresholds for the aggregate data for the group as a whole, not subordinate by subordinate.

10. **Part IV, line 20. Hospitals.** Answer “Yes” if any affiliate included within the group return operated a hospital facility.

11. **Part VI, line 2. Relationships among officers, directors, trustees, and key employees.** Describe on Schedule O (Form 990) only relationships between **officers, directors, trustees,** and **key employees** of the same **subordinate organization**, not relationships between officers, directors, trustees, and key employees of one subordinate and officers, directors, trustees, and key employees of another subordinate.

12. **Part VI, line 4. Significant changes to organizational documents.** Report only changes to standardized organizational documents maintained by the central organization that subordinates are required to adopt.

13. **Part VI, line 5. Significant diversion of assets.** In determining whether a diversion of a subordinate’s assets meets the 5%/$250,000 reporting threshold, consider only the total assets and gross receipts of that subordinate, not of the parent or other subordinates.

14. **Part VI, line 20. Person who possesses books and records.** Identify the person who possesses the information furnished by the subordinate organizations used in compiling the group return.

15. **Part VII. Compensation of officers, directors, trustees, key employees, and highest compensated employees.** File a single consolidated Form 990, Part VII, showing the officers, directors, trustees, and key employees of each subordinate included in the group return, and a single consolidated Schedule J (Form 990), Compensation Information, Part II, for all officers, directors, trustees, and key employees above the compensation thresholds. Report the five **highest compensated employees** and **independent contractors** above $100,000 for the whole group of subordinates, not for each subordinate. If one or more officers, directors, trustees, key employees, or highest compensated employees received compensation from more than one organization in the group, the person's compensation from the

several organizations must be reported in column (D).

16. **Part VII. Compensation from related organizations.** Report compensation from an organization that is included in the group ruling but that isn't among the subordinates included in the group return as compensation from a related organization in column (E), even if the related organization isn't required to be reported on Schedule R (Form 990), Related Organizations and Unrelated Partnerships.

17. **Part XII, lines 2a–2b. Compiled, reviewed, or audited financial statements.** Answer "Yes" only if all the subordinates in the group had their financial statements compiled, reviewed, or audited individually (rather than on a consolidated basis).

18. **Schedule A (Form 990), Part I. Reason for public charity status.** If the subordinates don't all have the same public charity status, then check the public charity status box for the largest number of subordinates in the group, and explain on Schedule A (Form 990), Public Charity Status and Public Support, Part IV. However, if any section 509(a)(3) organizations are among the subordinates in the group return, also answer lines 12e through 12g.

19. **Schedule A (Form 990), Parts II and III. Support statements.** Report aggregate data for all subordinates with the public charity status corresponding to Part II or III.

20. **Schedule A (Form 990), Parts IV through VI.** In addition to Part I in paragraph 18 above, if any section 509(a)(3) organizations are among the subordinates in the group return, also complete the relevant sections of Parts IV and V. If an answer in Part IV requires more information with respect to any section 509(a)(3) organizations, then answer with respect to those organizations and provide that additional information in Part VI. For instance, if the group includes 50 section 509(a)(3) organizations, and one of them doesn't list all of its supported organizations by name in its governing documents, then answer "No" to Part IV, Section A, line 1, and explain in Part VI. If the group includes more than one Type III non-functionally-integrated supporting organization, then provide aggregate data in Part V.

21. **Schedule B (Form 990). Contributors.** Report a consolidated Schedule B (Form 990) for all subordinates included in the group return. Apply the dollar and percentage thresholds (including the greater of $5,000 or 2% threshold for section 501(c)(3) organizations described in sections 509(a)(1) and 170(b)(1)(A)(vi)) subordinate by subordinate, not on a group basis.

22. **Schedule C (Form 990), Part II-A. Lobbying expenditures and affiliated groups.** Complete Part II-A, column (b), for the group as a whole. In column (a), except on lines 1g and 1h, include the amounts that apply to all electing members of the group if they are included in the group return. If the group return includes organizations that belong to more than one affiliated group, enter in column (b) the totals for all the groups.

23. **Schedule D (Form 990), Part X. Other liabilities.** The filing organization can summarize that portion, if any, of the **FIN 48** (ASC 740) footnote that applies to the liability of multiple organizations including the organization (for example, as a member of a group with consolidated financial statements), to describe the filing organization's share of the liability.

24. **Schedule H (Form 990). Hospitals.** Complete one Schedule H for all of the hospitals operated by subordinates in the group, and report aggregate data from all the hospitals. In Part V, Section A, list each of the organization's **hospital facilities** separately. List in Section A the name and EIN of the subordinate hospital organization that operates the hospital facility. Complete separate Sections B and C for each of the hospital facilities or facility reporting groups listed in Section A.

25. **Schedule J (Form 990). Compensation from related organizations.** See the *Appendix E,* Part VII instructions, earlier.

26. **Schedule L (Form 990). Transactions with interested persons.** On Schedule L (Form 990), Part IV, report only transactions between a subordinate organization and its interested persons—not transactions between a subordinate organization and the interested persons of other subordinates. In determining whether a transaction between the subordinate and its interested persons meets the financial reporting thresholds of Schedule L, Part IV, consider only the payments between the subordinate and its interested persons, not payments between interested persons and the parent or other subordinates.

27. **Schedule N (Form 990). Liquidation or significant disposition of assets.** Explain on Schedule N (Form 990), Part III, which of the subordinates have undergone a liquidation, termination, dissolution, or significant disposition of assets during the tax year.

28. **Schedule R (Form 990). Related organizations.** See the Instructions for Schedule R (Form 990) to determine when related organizations of a member of a group exemption must be included on Schedule R (Form 990). In general, **central organizations** and **subordinate organizations** of a **group exemption** aren't required to be listed as **related organizations** on Schedule R (Form 990), Part II; and all other related organizations of the central organization or of a subordinate organization are required to be listed on Schedule R (Form 990) in the applicable part. Even if a related organization isn't required to be listed in Part II of Schedule R (Form 990), the organization must report its transactions with the related organization in Part V, as described in the instructions for that Part.

Appendix F. Disregarded Entities and Joint Ventures—Inclusion of Activities and Items

Disregarded Entities

A **disregarded entity**, as described in Regulations sections 301.7701-1 through 301.7701-3, is generally treated as a branch or division of its parent organization for federal tax purposes (but see the *TIP* next for treatment of disregarded entities as separate entities for employment tax purposes). Therefore, financial and other information applicable to a disregarded entity must be reported as the parent organization's information, except on Form 990, Part VI, lines 10a and 10b, and on Schedule R (Form 990), in which disregarded entities must be separately reported.

An organization must report on its Form 990, including Parts VIII through X, all of the revenues, expenses, assets, liabilities, and net assets or funds of a disregarded entity of which it is the sole member. The disregarded entity is deemed to have the same accounting period as its parent for federal tax purposes. The organization must also report the activities of a disregarded entity in the appropriate parts (including schedules) of the Form 990. For example, support of a disregarded entity must be taken into account by the filing organization for purposes of the public support tests set forth on Schedule A (Form 990). Similarly, **political campaign activity** or **lobbying activity** conducted by a disregarded entity of which the organization is the sole member must be reported on Schedule C (Form 990), Political Campaign and Lobbying Activities.

A disregarded entity is treated as a separate entity for purposes of employment tax and certain excise taxes. For wages paid after January 1, 2009, a disregarded entity is required to use its name and EIN for reporting and payment of employment taxes.

A single-member LLC is treated generally as a disregarded entity of its sole member/owner unless it elects to be treated as a separate association. It may elect to be treated separately by filing Form 8832, Entity Classification Election, or by claiming tax-exempt status in its own right (by filing a Form 1023, 1023-EZ, 1024, or 1024-A, application for recognition of tax-exempt status, or a Form 990, 990-EZ, 990-N, or 990-T, using its own name and EIN). Once the IRS determines a single-member LLC to be exempt, it is no longer eligible to be treated as a disregarded entity until the determination of exemption is revoked and the LLC subsequently files a Form 8832 electing disregarded entity status. Similarly, a single-member LLC that claims exemption but hasn't been determined to be exempt isn't eligible to be treated as disregarded until the claim is withdrawn or rejected and the LLC files a Form 8832 electing disregarded entity status. See Regulations section 301.7701-3(c)(1)(v)(A).

The following is a list of special instructions for the form and schedules regarding the reporting of a disregarded entity of which the organization is the sole member. These items are described to illustrate special applications of the rule described above that a disregarded entity's activities and items must be reported on the organization's Form 990 and applicable schedules.

1. **Part I, line 5. Number of employees.** See the instructions for Part V, lines 1 and 2, below.

2. **Part I, line 6. Number of volunteers.** The total number of **volunteers** to be reported can, but isn't required to, include **volunteers** of any disregarded entity.

3. **Part III. Program service accomplishments.** Consider activities and accomplishments of all disregarded entities when answering this part.

4. **Part IV, line 12. Audited financial statements.** The organization shouldn't answer "Yes" to this question merely because it received audited financial statements of one or more disregarded entities, if the audited financial statements of the organization weren't audited.

5. **Part IV, lines 31–32. Liquidation or significant disposition of assets.** See the instructions for Schedule N (Form 990) in this Appendix, later.

6. **Part IV, lines 35–36. Transactions with related organizations.** See the instructions for Schedule R (Form 990) in this Appendix, later.

7. **Part V, lines 1–2. Forms 1096 and W-3.** The total number of information returns and **employees** to be reported, and compliance with backup withholding rules, includes all backup withholding, information returns, and employees of any disregarded entity, whether or not the disregarded entity has a separate **EIN** for employment tax and information reporting purposes.

8. **Part V, line 7. Organizations that can receive deductible contributions.** For purposes of Form 990 reporting, lines 7a through 7h are to be answered by taking into account any contributions made to a disregarded entity.

9. **Part VI, lines 1a–9.** Members of the governing body, officers, directors, trustees, and employees of a disregarded entity won't be treated as **governing body members, officers, directors,** or **trustees** of the filing organization, but a person can be a **key employee** or **highest compensated employee** of the filing organization by virtue of **compensation** paid by the disregarded entity, or the person's responsibilities and authority over operations of the disregarded entity when compared to the filing organization as a whole. See *Disregarded entities* under Part VII, Section A, earlier.

10. **Part VI, Section B, lines 10a–16b. Policies.** The organization should check "Yes" or "No" based on the filing organization's policies, but for each "Yes" response, they must report on Schedule O (Form 990) whether the policy applies to all of the organization's disregarded entities (if any).

11. **Part VII, line 1a. Definitions of key employee and highest compensated employee.** An officer, director, trustee, and employee of a disregarded entity can constitute a key employee or highest compensated employee of the filing organization by virtue of compensation paid by the disregarded entity, or the person's responsibilities and authority over operations of the disregarded entity when compared to the filing organization as a whole. See the instructions for Form 990, Part VII, Section A.

12. **Part XII, lines 2a–2b. Financial statements.** If the organization included financial information from its disregarded entity or entities in its financial statements, but didn't consolidate any other entity's information in its financial statements, it should check the box for "Separate basis" but not the box for "Consolidated basis" or "Both consolidated and separate basis."

13. **Part XII, line 3. Uniform Guidance, 2 C.F.R. Part 200, Subpart F.** The organization must check "Yes" if a disregarded entity was required to undergo an audit or audits.

Note. The Single Audit Act of 1984 and OMB Circular A-133 are superseded by Uniform Guidance, 2 C.F.R. Part 200, Subpart F, and now requires states, local governments, and nonprofit organizations that spend $750,000 (previously $500,000) or more of federal awards in a year to obtain an annual audit.

14. **Schedule L (Form 990). Transactions with interested persons.** Reportable transactions include transactions involving interested persons who have such status because of their relationship with a disregarded entity (such as an employee of the disregarded entity who qualifies as a key employee of the organization as a whole). A transaction between an interested person and a disregarded entity of the organization is reportable on Schedule L.

15. **Schedule N (Form 990). Liquidation or significant disposition of assets.** The organization shouldn't prepare Part I to report a termination, liquidation, or dissolution of a disregarded entity if the filing organization continues to operate. Transfers to (or by) a filing organization by (or to) its disregarded entity aren't to be reported in Part II, but transfers by or contractions of a disregarded entity are to be taken into account to determine whether a reportable event (based on 25% of the filing organization's net assets, including those of its disregarded entities) has occurred.

16. **Schedule R (Form 990), Part V, line 2. Transactions with related organizations.** Specified payments to a disregarded entity by a **controlled entity** of the filing organization, and transfers by a disregarded entity to an exempt noncharitable entity, are to be reported on Schedule R (Form 990), Part V, line 2.

Joint Ventures Treated as a Partnership for Federal Income Tax Purposes

If the organization participates as a partner or member of a **joint venture**, partnership, LLC, or other entity treated as a partnership for federal tax purposes

(referred to here as a “joint venture”), as described in Regulations sections 301.7701-1 through 301.7701-3, then the organization in general must report the activities of the joint venture as its own activities, and report the joint venture’s revenue, expenses, and assets, to the extent of the organization's proportionate interest in the joint venture. For example, a proportionate share of the **political campaign activity** or **lobbying activity** conducted by a joint venture of which the organization is a member must be reported on Schedule C (Form 990). If the joint venture is a member of a second joint venture, which is a member of a third joint venture, etc., the activities similarly pass through all joint ventures to the organization, according to the organization's proportionate share in each of the joint ventures.

The following is a list of special instructions for the form and schedules regarding the reporting of a joint venture of which the organization is a member.

1. **Part I, line 2. Disposition of 25% of assets.** See the instructions for Schedule N in this Appendix, later.

2. **Part I, lines 7a–7b. Unrelated business income.** Include the organization's distributive share (whether or not distributed) of income or loss of the joint venture that is unrelated business income in determining the organization's gross and net unrelated business income.

3. **Part IV, lines 3–5. Political campaign and lobbying activities.** See the instructions for Schedule C in this Appendix, later.

4. **Part IV, line 7. Conservation easements.** See the instructions for Schedule D in this Appendix, later.

5. **Part IV, lines 14–16. Activities outside the United States.** See the instructions for Schedule F in this Appendix, later.

6. **Part IV, lines 17–19. Fundraising and gaming.** See the instructions for Schedule G in this Appendix, later.

7. **Part IV, line 20. Hospitals.** See the instructions for Schedule H in this Appendix, later.

8. **Part IV, lines 21–22. Grants in the United States.** See the instructions for Schedule I in this Appendix, later.

9. **Part IV, lines 26–28. Loans, grants, and business transactions involving interested persons.** See the instructions for Schedule L in this Appendix, later.

10. **Part IV, line 32. Disposition of 25% of assets.** See the instructions for Schedule N in this Appendix, later.

11. **Part IV, lines 34–37. Related organizations and unrelated partnerships.** See the instructions for Schedule R in this Appendix, later.

12. **Part V, line 3a. Unrelated business income.** Include the organization's distributive share (whether or not distributed) of income or loss of the joint venture that is **unrelated business income** in determining the organization's gross unrelated business income.

13. **Part VI. Governance, management, and disclosure.** Don't take into account a joint venture for purposes of Part VI (except for lines 16a and 16b).

14. **Part VII. Compensation.** See the instructions for Schedule J in this Appendix, later.

15. **Parts VIII, IX, and X. Financial statements.** Report in accordance with the organization's books and records.

16. **Part XII. Financial statements and reporting.** Disregard a joint venture.

17. **Schedule C (Form 990). Political campaign and lobbying activities.** Report the organization's share of political campaign or lobbying activities conducted by a joint venture.

18. **Schedule D (Form 990), Part II. Conservation easements.** Include conservation easements held by a joint venture formed for the purpose of holding the easements.

19. **Schedule F (Form 990). Activities outside the United States.** Include activities of a joint venture, including grants to organizations or individuals outside the United States.

20. **Schedule G (Form 990). Fundraising and gaming.** Include activities of a joint venture and the organization's share of revenues and expenses. On Part III, line 12, check “Yes” if the joint venture was formed to administer charitable gaming.

21. **Schedule H (Form 990). Hospitals.** Report activities, expenses, and revenue of **hospital facilities** and other programs operated by any joint venture, to the extent of the organization's proportionate interest in the joint venture. See the instructions for Schedule H, Part IV, to determine how to report an organization's interest in joint ventures and management companies.

22. **Schedule I (Form 990). Grants in the United States.** Include grants from a joint venture to organizations, governments, or individuals in the United States.

23. **Schedule J (Form 990). Compensation.** If an **officer, director, trustee,** or **employee** of the organization receives compensation from a joint venture, the **compensation** isn't treated as paid pro rata by the organization. The compensation may need to be reported, however, as compensation from a related organization if the joint venture is a related organization.

24. **Schedule K (Form 990), Part III, line 1. Private business use.** Report certain joint ventures that owned property financed by **tax-exempt bonds**.

25. **Schedule L (Form 990), Parts II–IV. Loans, grants, and business transactions involving interested persons.** Report loans, grants, and business transactions between the organization and a joint venture, if the joint venture is an interested person for purposes of Schedule L, and if the transaction meets the applicable reporting thresholds described in the Schedule L instructions. Also report certain joint ventures with interested persons as provided in the Schedule L, Part IV, instructions as business transactions themselves.

26. **Schedule N (Form 990), Part II. Disposition of 25% of assets.** In determining whether the organization made a disposition of more than 25% of its assets, take into account its share of dispositions by a joint venture.

27. **Schedule R (Form 990). Related organizations.** Report relationships with certain joint ventures in Parts III and VI, and certain transactions with joint ventures in Part V.

Appendix G. Section 4958 Excess Benefit Transactions

The intermediate sanction regulations are important to the exempt organization community as a whole, and for ensuring compliance in this area. The rules provide a roadmap by which an organization can steer clear of situations that may give rise to inurement.

Under section 4958, any **disqualified person** who benefits from an **excess benefit transaction** with an **applicable tax-exempt organization** is liable for a 25% tax on the excess benefit. The disqualified person is also liable for a 200% tax on the excess benefit if the excess benefit isn't corrected by a certain date. Also, organization managers who participate in an excess benefit transaction knowingly, willfully, and without reasonable cause are liable for a 10% tax on the excess benefit, not to exceed $20,000 for all participating managers on each transaction.

Applicable Tax-Exempt Organization

These rules only apply to certain applicable section 501(c)(3), 501(c)(4),

and 501(c)(29) organizations. An **applicable tax-exempt organization** is a section 501(c)(3), 501(c)(4), or 501(c)(29) organization that is tax exempt under section 501(a), or was an organization at any time during a 5-year period ending on the day of the **excess benefit transaction**.

An **applicable tax-exempt organization** doesn't include:
- A **private foundation**, as defined in section 509(a);
- A governmental entity that is exempt from (or not subject to) taxation without regard to section 501(a) or relieved from filing an annual return under Regulations section 1.6033-2(g)(6); and
- Certain **foreign organizations**.

An organization isn't treated as a section 501(c)(3), 501(c)(4), or 501(c)(29) organization for any period covered by a final determination that the organization wasn't tax exempt under section 501(a), so long as the determination wasn't based on private inurement or one or more excess benefit transactions.

Disqualified Person

Most section 501(c)(3), 501(c)(4), or 501(c)(29) organization **employees** and **independent contractors** won't be affected by these rules. Only the few influential persons within these organizations are covered by these rules when they receive benefits, such as **compensation,** fringe benefits, or contract payments. The IRS calls this class of covered individuals **disqualified persons**.

A *disqualified person*, regarding any transaction, is any person who was in a position to exercise substantial influence over the affairs of the applicable tax-exempt organization at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization. This would include, for example, **voting members of the governing body**, and persons holding the power of the following.
- Presidents, **CEOs**, or chief operating officers.
- Treasurers and chief financial officers.

A disqualified person also includes certain family members of a disqualified person, and **35% controlled entities** of a disqualified person.

The following persons are considered disqualified persons for the following organizations, along with certain family members and 35% controlled entities associated with them.
- For a transaction involving a **donor advised fund**, a donor or **donor advisor** of that donor advised fund.
- For a **donor advised fund** sponsoring organization, an investment advisor of the **sponsoring organization**.
- For a **supported organization** of a section 509(a)(3) supporting organization, the disqualified persons of the section 509(a)(3) **supporting organization**.

See the instructions for Form 4720, Schedule I, for more information regarding these disqualified persons.

Who isn't a disqualified person? The rules also clarify which persons aren't considered to be in a position to exercise substantial influence over the affairs of an organization. They include:
- An employee who receives benefits that total less than the highly compensated amount ($120,000 in 2015–2018, $125,000 in 2019, $130,000 in 2020–2021, and $135,000 in 2022) and who doesn't hold the executive or voting powers just mentioned, isn't a family member of a disqualified person, and isn't a substantial contributor;
- Tax-exempt organizations described in section 501(c)(3); and
- Section 501(c)(4) organizations for transactions engaged in with other section 501(c)(4) organizations.

Who else can be considered a disqualified person? Other persons not described above can also be considered disqualified persons, depending on all the relevant facts and circumstances.

Facts and circumstances tending to show substantial influence.
- The person founded the organization.
- The person is a substantial contributor to the organization under the section 507(d)(2)(A) definition, only taking into account contributions to the organization for the past 5 years.
- The person's compensation is primarily based on revenues derived from the activities of the organization that the person controls.
- The person has or shares authority to control or determine a substantial portion of the organization's capital expenditures, operating budget, or compensation for employees.
- The person manages a discrete segment or activity of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.
- The person owns a controlling interest (measured by either vote or value) in a corporation, partnership, or trust that is a disqualified person.
- The person is a nonstock organization controlled directly or indirectly by one or more disqualified persons.

Facts and circumstances tending to show no substantial influence.
- The person is an independent contractor whose sole relationship to the organization is providing professional advice (without having decision-making authority) for transactions from which the independent contractor won't economically benefit.
- The person has taken a vow of poverty.
- Any preferential treatment the person receives based on the size of the person's donation is also offered to others making comparable widely solicited donations.
- The direct supervisor of the person isn't a disqualified person.
- The person doesn't participate in any management decisions affecting the organization as a whole or a discrete segment of the organization that represents a substantial portion of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole.

What about persons who staff affiliated organizations? In the case of multiple affiliated organizations, the determination of whether a person has substantial influence is made separately for each applicable tax-exempt organization. A person may be a disqualified person for more than one organization in the same transaction.

Excess Benefit Transaction

An **excess benefit transaction** is generally a transaction in which an economic benefit is provided by an **applicable tax-exempt organization**, directly or indirectly, to or for the use of any **disqualified person**, and the value of the economic benefit provided by the applicable tax-exempt organization exceeds the value of the consideration (including the performance of services) received for providing the benefit, but see the special rules below for **donor advised funds** and **supporting organizations**. An excess benefit transaction can also occur when a disqualified person embezzles from the exempt organization.

To determine whether an excess benefit transaction has occurred, all consideration and benefits exchanged between a disqualified person and the applicable tax-exempt organization, and all entities it controls, are taken into account.

For purposes of determining the value of economic benefits, the value of property, including the right to use property, is the **FMV**. **FMV** is the price at which property, or the right to use property, would change hands between a

willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of relevant facts.

Donor advised funds. For a **donor advised fund**, an excess benefit transaction includes a grant, loan, **compensation**, or similar payment from the fund to a:

- Donor or **donor advisor**,
- Family member of a donor or **donor advisor**,
- **35% controlled entity** of a donor or donor advisor, or
- 35% controlled entity of a family member of a donor or donor advisor.

For these transactions, the excess benefit is defined as the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

Supporting organizations. For any supporting organization defined in section 509(a)(3), an excess benefit transaction includes grants, loans, compensation, or similar payment provided by the supporting organization to a:

- Substantial contributor,
- Family member of a substantial contributor,
- 35% controlled entity of a substantial contributor, or
- 35% controlled entity of a family member of a substantial contributor.

Additionally, an excess benefit transaction includes any loans provided by the supporting organization to a disqualified person (other than an organization described in section 509(a)(1), (2), or (4)).

A substantial contributor is any person who contributed or bequeathed an aggregate of more than $5,000 to the organization, if that amount is more than 2% of the total contributions and bequests received by the organization before the end of the tax year of the organization in which the contribution or bequest is received by the organization from the person. A substantial contributor includes the grantor of a trust.

The excess benefit for substantial contributors and parties related to those contributors includes the amount of the grant, loan, compensation, or similar payment. For additional information, see the Instructions for Form 4720.

When does an excess benefit transaction usually occur? For federal income tax purposes, an excess benefit transaction occurs on the date the disqualified person receives the economic benefit from the organization. However, when a single contractual arrangement provides for a series of compensation payments or other payments to a disqualified person during the disqualified person's tax year, any excess benefit transaction for these payments occurs on the last day of the disqualified person's tax year.

In the case of the transfer of property subject to a substantial risk of forfeiture, or in the case of rights to future compensation or property, the transaction occurs on the date the property, or the rights to future compensation or property, isn't subject to a substantial risk of forfeiture. Where the disqualified person elects to include an amount in gross income in the tax year of transfer under section 83(b), the excess benefit transaction occurs on the date the disqualified person receives the economic benefit for federal income tax purposes.

Section 4958 applies only to post-September 1995 transactions. Section 4958 applies the general rules to excess benefit transactions occurring on or after September 14, 1995. Section 4958 doesn't apply to any transaction occurring pursuant to a written contract that was binding on September 13, 1995, and at all times thereafter before the transaction occurs. The special rules relevant to transactions with donor advised funds and supporting organizations apply to transactions occurring after August 17, 2006, except that taxes on certain transactions between supporting organizations and their substantial contributors apply to transactions occurring on or after July 25, 2006.

What Is Reasonable Compensation?

Reasonable compensation is the valuation standard that is used to determine if there is an excess benefit in the exchange of a **disqualified person's** services for **compensation**. *Reasonable compensation* is the value that would ordinarily be paid for like services by like enterprises under like circumstances. This is the section 162 standard that will apply in determining the reasonableness of compensation. The fact that a bonus or revenue-sharing arrangement is subject to a cap is a relevant factor in determining the reasonableness of compensation.

For determining the reasonableness of compensation, all items of compensation provided by an applicable tax-exempt organization in exchange for the performance of services are taken into account in determining the value of compensation (except for certain economic benefits that are disregarded, as discussed in *What benefits are disregarded?* in this Appendix, later).

Items of compensation include the following.

- All forms of cash and noncash compensation, including salary, fees, bonuses, severance payments, and deferred and noncash compensation.
- The payment of liability insurance premiums for, or the payment or reimbursement by the organization of taxes or certain expenses under section 4958, unless excludable from income as a de minimis fringe benefit under section 132(a)(4). (A similar rule applies in the private foundation area.) Inclusion in compensation for purposes of determining reasonableness under section 4958 doesn't control inclusion in income for income tax purposes.
- All other compensatory benefits, whether or not included in gross income for income tax purposes.
- Taxable and nontaxable fringe benefits, except fringe benefits described in section 132.
- Foregone interest on loans.

Written intent required to treat benefits as compensation. An economic benefit isn't treated as consideration for the performance of services unless the organization providing the benefit clearly indicates its intent to treat the benefit as compensation when the benefit is paid.

An applicable tax-exempt organization (or entity that it controls) is treated as clearly indicating its intent to provide an economic benefit as compensation for services only if the organization provides written substantiation that is contemporaneous with the transfer of the economic benefits under consideration. Ways to provide contemporaneous written substantiation of its intent to provide an economic benefit as compensation include the following.

- The organization produces a signed written employment contract.
- The organization reports the benefit as compensation on an original Form W-2, Form 1099, or Form 990, or on an amended form filed before the start of an IRS examination.
- The disqualified person reports the benefit as income on the person's original Form 1040 or 1040-SR or on an amended form filed before the start of an IRS examination.

Exception. To the extent the economic benefit is excluded from the disqualified person's gross income for income tax purposes, the applicable tax-exempt organization isn't required to indicate its intent to provide an economic benefit as compensation for services, for example, employer-provided health benefits and contributions to qualified plans under section 401(a).

What benefits are disregarded? The following economic benefits are disregarded for purposes of section 4958.

- Nontaxable fringe benefits. An economic benefit that is excluded from income under section 132.
- Benefits to volunteers. An economic benefit provided to a volunteer for the organization if the benefit is provided to the general public in exchange for a membership fee or contribution of $75 or less per year.
- Benefits to members or donors. An economic benefit provided to a member of an organization due to the payment of a membership fee, or to a donor as a result of a deductible contribution, if a significant number of nondisqualified persons make similar payments or contributions and are offered a similar economic benefit.
- Benefits to a charitable beneficiary. An economic benefit provided to a person solely as a member of a charitable class that the applicable tax-exempt organization intends to benefit as part of the accomplishment of its exempt purpose.
- Benefits to a governmental unit. A transfer of an economic benefit to or for the use of a governmental unit, as defined in section 170(c)(1), if exclusively for public purposes.

Is there an exception for initial contracts? Section 4958 doesn't apply to any fixed payment made to a person pursuant to an **initial contract**. This is a very important exception, because it would potentially apply, for example, to all initial contracts with new, previously unrelated officers and contractors.

An *initial contract* is a binding written contract between an applicable tax-exempt organization and a person who wasn't a disqualified person immediately before entering into the contract.

A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula that is specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property.

A *fixed formula* can, in general, incorporate an amount that depends upon future specified events or contingencies, as long as no one has discretion when calculating the amount of a payment or deciding whether to make a payment (such as a bonus).

Treatment as new contract. A binding written contract, providing that it can be terminated or canceled by the applicable tax-exempt organization without the other party's consent (except as a result of substantial nonperformance) and without substantial penalty, is treated as a new contract, as of the earliest date that any termination or cancellation would be effective. Also, a contract in which there is a material change, which includes an extension or renewal of the contract (except for an extension or renewal resulting from the exercise of an option by the disqualified person), or a more than incidental change to the amount payable under the contract, is treated as a new contract as of the effective date of the material change. Treatment as a new contract can cause the contract to fall outside the initial contract exception, and it would thus be tested under the FMV standards of section 4958.

Rebuttable Presumption of Reasonableness

Payments under a **compensation** arrangement are presumed to be reasonable and the transfer of property (or right to use property) is presumed to be at **FMV**, if the following three conditions are met.

1. The transaction is approved by an authorized body of the organization (or an entity it controls), which is composed of individuals who don't have a conflict of interest concerning the transaction.

2. Before making its determination, the authorized body obtained and relied upon appropriate data as to comparability. There is a special safe harbor for small organizations. If the organization has gross receipts of less than $1 million, appropriate comparability data includes data on compensation paid by three comparable organizations in the same or similar communities for similar services.

3. The authorized body adequately documents the basis for its determination concurrently with making that determination. The documentation should include:

   a. The terms of the approved transaction and the date approved;

   b. The members of the authorized body who were present during debate on the transaction that was approved and those who voted on it;

   c. The comparability data obtained and relied upon by the authorized body and how the data was obtained;

   d. Any actions by a member of the authorized body having a conflict of interest; and

   e. Documentation of the basis for the determination before the later of the next meeting of the authorized body or 60 days after the final actions of the authorized body are taken, and approval of records as reasonable, accurate, and complete within a reasonable time thereafter.

Special rebuttable presumption rule for nonfixed payments. As a general rule, in the case of a nonfixed payment, no rebuttable presumption arises until the exact amount of the payment is determined, or a fixed formula for calculating the payment is specified, and the three requirements creating the presumption have been satisfied. However, if the authorized body approves an employment contract with a disqualified person that includes a nonfixed payment (for example, discretionary bonus) with a specified cap on the amount, the authorized body can establish a rebuttable presumption as to the nonfixed payment when the employment contract is entered into by, in effect, assuming that the maximum amount payable under the contract will be paid, and satisfying the requirements giving rise to the rebuttable presumption for that maximum amount.

An IRS challenge to the presumption of reasonableness. The IRS can refute the presumption of reasonableness only if it develops sufficient contrary evidence to rebut the probative value of the comparability data relied upon by the authorized body. This provision gives taxpayers added protection if they faithfully find and use contemporaneous persuasive comparability data when they provide the benefits.

Organizations that don't establish a presumption of reasonableness. An organization can still comply with section 4958 even if it didn't establish a presumption of reasonableness. In some cases, an organization may find it impossible or impracticable to fully implement each step of the rebuttable presumption process. In those cases, the organization should try to implement as many steps as possible, in whole or in part, in order to substantiate the reasonableness of benefits as timely and as well as possible. If an organization doesn't satisfy the requirements of the rebuttable presumption of reasonableness, a facts and circumstances approach will be followed, using established rules for determining reasonableness of compensation and benefit deductions in a manner similar to the established procedures for section 162 business expenses.

Section 4958 Taxes

Tax on disqualified persons. An excise tax equal to 25% of the excess benefit is imposed on each excess benefit transaction between an **applicable tax-exempt organization** and a **disqualified person**. The

disqualified person who benefited from the transaction is liable for the tax. If the 25% tax is imposed and the excess benefit transaction isn't corrected within the tax period, an additional excise tax equal to 200% of the excess benefit is imposed.

If a disqualified person makes a payment of less than the full correction amount, the 200% tax is imposed only on the unpaid portion of the correction amount. If more than one disqualified person received an excess benefit from an excess benefit transaction, all the disqualified persons are jointly and severally liable for the taxes.

To avoid the imposition of the 200% tax, a disqualified person must correct the excess benefit transaction during the tax period. The tax period begins on the date the transaction occurs and ends on the earlier of the date the statutory notice of deficiency is issued or the section 4958 taxes are assessed. This 200% tax can be abated if the excess benefit transaction is subsequently corrected during a 90-day correction period.

Tax on organization managers. An excise tax equal to 10% of the excess benefit can be imposed on the participation of an organization manager in an excess benefit transaction between an applicable tax-exempt organization and a disqualified person. This tax, which can't exceed $20,000 for any single transaction, is only imposed if the 25% tax is imposed on the disqualified person, the organization manager knowingly participated in the transaction, and the manager's participation was willful and not due to reasonable cause. There is also joint and several liability for this tax. An organization manager can be liable for both the tax on disqualified persons and on organization managers in appropriate circumstances.

An *organization manager* is any officer, director, or trustee of an applicable tax-exempt organization, or any individual having powers or responsibilities similar to officers, directors, or trustees of the organization, regardless of title. An organization manager isn't considered to have participated in an excess benefit transaction where the manager has opposed the transaction in a manner consistent with the fulfillment of the manager's responsibilities to the organization. For example, a director who votes against giving an excess benefit would ordinarily not be subject to this tax.

A person participates in a transaction knowingly if the person has actual knowledge of sufficient facts so that, based solely upon the facts, the transaction would be an excess benefit transaction. Knowing doesn't mean having reason to know. The organization manager won't ordinarily be considered knowing if, after full disclosure of the factual situation to an appropriate professional, the organization manager relied on the professional's reasoned written opinion on matters within the professional's expertise or if the manager relied on the fact that the requirements for the rebuttable presumption of reasonableness have been satisfied. Participation by an organization manager is willful if it is voluntary, conscious, and intentional. An organization manager's participation is due to reasonable cause if the manager has exercised responsibility on behalf of the organization with ordinary business care and prudence.

Correcting an Excess Benefit Transaction

A **disqualified person** corrects an **excess benefit transaction** by undoing the excess benefit to the extent possible, and by taking any additional measures necessary to place the organization in a financial position not worse than that in which it would be if the disqualified person were dealing under the highest fiduciary standards. The organization isn't required to rescind the underlying agreement; however, the parties may need to modify an ongoing contract for future payments.

A disqualified person corrects an excess benefit by making a payment in cash or cash equivalents equal to the correction amount to the applicable tax-exempt organization. The correction amount equals the excess benefit plus the interest on the excess benefit; the interest rate can be no lower than the applicable federal rate. There is an anti-abuse rule to prevent the disqualified person from effectively transferring property other than cash or cash equivalents.

Exception. For a correction of an excess benefit transaction described under *Donor advised funds*, earlier, no amount repaid in a manner prescribed by the IRS can be held in a donor advised fund.

Property. With the agreement of the applicable tax-exempt organization, a disqualified person can make a payment by returning the specific property previously transferred in the excess benefit transaction. The return of the property is considered a payment of cash (or cash equivalent) equal to the lesser of:

- The **FMV** of the property on the date the property is returned to the organization, or
- The FMV of the property on the date the excess benefit transaction occurred.

Insufficient payment. If the payment resulting from the return of the property is less than the correction amount, the disqualified person must make an additional cash payment to the organization equal to the difference.

Excess payment. If the payment resulting from the return of the property exceeds the correction amount described above, the organization can make a cash payment to the disqualified person equal to that difference.

Churches and Section 4958

The regulations make it clear that the IRS will apply the procedures of section 7611 when initiating and conducting any inquiry or examination into whether an excess benefit transaction has occurred between a **church** and a **disqualified person**.

Revenue-Sharing Transactions

Proposed intermediate sanction regulations were issued in 1998. The proposed regulations had special provisions covering “any transaction in which the amount of any economic benefit provided to or for the use of a **disqualified person** is determined in whole or in part by the revenues of one or more activities of the organization” — so-called revenue-sharing transactions. Rather than setting forth additional rules on revenue-sharing transactions, the final regulations reserve this section. Consequently, until the IRS issues new regulations for this reserved section on revenue-sharing transactions, these transactions will be evaluated under the general rules (for example, the **FMV** standards) that apply to all contractual arrangements between **applicable tax-exempt organizations** and their disqualified persons.

Revocation of Exemption and Section 4958

Section 4958 doesn't affect the substantive standards for tax exemption under section 501(c)(3), 501(c)(4), or 501(c)(29), including the requirements that the organization be organized and operated exclusively for exempt purposes, and that no part of its net earnings inure to the benefit of any private shareholder or individual. The legislative history indicates that in most instances, the imposition of this intermediate sanction will be in lieu of revocation. The IRS has indicated that the following factors will be considered (among other facts and circumstances) in

determining whether to revoke an applicable tax-exempt organization's exemption status where an **excess benefit transaction** has occurred.
- The size and scope of the organization's regular and ongoing activities that further exempt purposes before and after the excess benefit transaction or transactions occurred.
- The size and scope of the excess benefit transaction or transactions (collectively, if more than one) in relation to the size and scope of the organization's regular and ongoing activities that further exempt purposes.
- Whether the organization has been involved in multiple excess benefit transactions with one or more persons.
- Whether the organization has implemented safeguards that are reasonably calculated to prevent excess benefit transactions.
- Whether the excess benefit transaction has been corrected, or the organization has made good faith efforts to seek correction from the disqualified person(s) who benefited from the excess benefit transaction.

Appendix H. Forms and Publications To File or Use

How To Get Forms and Publications

Internet. You can access the IRS website at IRS.gov 24 hours a day, 7 days a week to:

- Download forms, including talking tax forms, instructions, and publications;
- Order IRS products online;
- Research your tax questions online;
- Search publications online by topic or keyword;
- Use the online Internal Revenue Code, regulations, or other official guidance;
- View Internal Revenue Bulletins (IRBs) published in the last few years; and
- Sign up to receive local and national tax news by email.

How To Get Tax Help

Coronavirus. Go to *IRS.gov/Coronavirus* for links to information on the impact of the coronavirus, as well as tax relief available for individuals and families, small and large businesses, and tax-exempt organizations.

Getting answers to your tax questions. On IRS.gov, you can get up-to-date information on current events and changes in tax law.
- *IRS.gov/Help*: A variety of tools to help you get answers to some of the most common tax questions.
- *IRS.gov/ITA*: The Interactive Tax Assistant, a tool that will ask you questions and, based on your input, provide answers on a number of tax law topics.
- *IRS.gov/Forms*: Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- The *Online EIN Application* (*IRS.gov/EIN*) helps you get an employer identification number (EIN) at no cost.
- You may also be able to access tax law information in your electronic filing software.

Getting tax forms and publications. Go to *IRS.gov/Forms* to view, download, or print all of the forms, instructions, and publications you may need. Or, you can go to *IRS.gov/OrderForms* to place an order.

Getting tax publications and instructions in eBook format. You can also download and view popular tax publications and instructions (including the Instructions for Form 1040) on mobile devices as eBooks at *IRS.gov/eBooks*.

Note. IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

Phone. If you have questions and/or need help completing Form 990 or Form 990-EZ, call 877-829-5500. This toll-free telephone service is available Monday through Friday.

Other Forms That May Be Required

Schedule A (Form 990). Public Charity Status and Public Support.

Schedule B (Form 990). Schedule of Contributors.

Schedule C (Form 990). Political Campaign and Lobbying Activities.

Schedule D (Form 990). Supplemental Financial Statements.

Schedule E (Form 990). Schools.

Schedule F (Form 990). Statement of Activities Outside the United States.

Schedule G (Form 990). Supplemental Information Regarding Fundraising or Gaming Activities.

Schedule H (Form 990). Hospitals.

Schedule I (Form 990). Grants and Other Assistance to Organizations, Governments, and Individuals in the United States.

Schedule J (Form 990). Compensation Information.

Schedule K (Form 990). Supplemental Information on Tax-Exempt Bonds.

Schedule L (Form 990). Transactions With Interested Persons.

Schedule M (Form 990). Noncash Contributions.

Schedule N (Form 990). Liquidation, Termination, Dissolution, or Significant Disposition of Assets.

Schedule O (Form 990). Supplemental Information to Form 990 or 990-EZ.

Schedule R (Form 990). Related Organizations and Unrelated Partnerships.

Forms W-2 and W-3. Wage and Tax Statement; and Transmittal of Wage and Tax Statements.

Form W-9. Request for Taxpayer Identification Number and Certification.

Form 720. Quarterly Federal Excise Tax Return.

CAUTION *The Patient-Centered Outcomes Research fee is imposed on issuers of specified health insurance policies (section 4375) and plan sponsors of applicable self-insured health plans (section 4376) for policy and plan years ending on or after October 1, 2012. See Form 720 and section 4376 for more information.*

In addition to various federal excise taxes that are paid with the filing of Form 720, the Patient-Centered Outcomes Research fee that is imposed on issuers of specified health insurance policies and plan sponsors of applicable self-insured health plans is payable annually and reported on the Form 720 that is filed for the second quarter of each year, which is due no later than July 31 of the calendar year immediately following the last day of the policy year or plan year to which the fee applies.

Form 926. Return by a U.S. Transferor of Property to a Foreign Corporation.

Form 940. Employer's Annual Federal Unemployment (FUTA) Tax Return.

Form 941. Employer's QUARTERLY Federal Tax Return. Used to report social security, Medicare, and income taxes withheld by an employer and social security and Medicare taxes paid by an employer.

Form 943. Employer's Annual Federal Tax Return for Agricultural Employees.

Form 990-T. Exempt Organization Business Income Tax Return. Filed separately for organizations subject to UBTI that have total gross income from

all of their **unrelated trades or businesses** of $1,000 or more for the tax year. The Form 990-T is also filed to pay the section 6033(e)(2) proxy tax. For Form 990, see Part V, line 3, and its instructions; for Form 990-EZ, see Part V, line 35, and its instructions.

Form 990-W. Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations.

Form 1023. Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

Form 1023-EZ. Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

Form 1024. Application for Recognition of Exemption Under Section 501(a).

Form 1024-A. Application for Recognition of Exemption Under Section 501(c)(4) of the Internal Revenue Code.

Form 1040. U.S. Individual Income Tax Return.

Form 1040-SR. U.S. Tax Return for Seniors.

Form 1041. U.S. Income Tax Return for Estates and Trusts. Required of section 4947(a)(1) nonexempt charitable trusts that also file Form 990 or 990-EZ. However, if the trust doesn't have any taxable income under subtitle A of the Code, it can file Form 990 or 990-EZ, and doesn't have to file Form 1041 to meet its section 6012 filing requirement. If this condition is met, complete Form 990 or 990-EZ, and don't file Form 1041.

Form 1096. Annual Summary and Transmittal of U.S. Information Returns.

Form 1098 series. Information returns to report mortgage interest, student loan interest, qualified tuition and related expenses received, and a contribution of a qualified vehicle that has a claimed value of more than $500.

Form 1099 series. Information returns to report acquisitions or abandonments of secured property; proceeds from broker and barter exchange transactions; cancellation of debt; dividends and distributions; certain government and state qualified tuition program payments; taxable distributions from cooperatives; interest payments; payments of long-term care and accelerated death benefits; miscellaneous income payments; distributions from an HSA, Archer MSA, or Medicare Advantage MSA; original issue discount; distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc.; and proceeds from real estate transactions. Also, use certain of these returns to report amounts that were received as a nominee on behalf of another person.

Form 1120-POL. U.S. Income Tax Return for Certain Political Organizations.

Form 1128. Application To Adopt, Change, or Retain a Tax Year.

Form 2848. Power of Attorney and Declaration of Representative.

Form 3115. Application for Change in Accounting Method.

Form 3520. Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts.

Form 4506. Request for Copy of Tax Return.

Form 4506-A. Request for a Copy of Exempt or Political Organization IRS Form.

Form 4562. Depreciation and Amortization.

Form 4720. Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

Form 5471. Information Return of U.S. Persons With Respect to Certain Foreign Corporations.

Form 5500. Annual Return/Report of Employee Benefit Plan. Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file Form 5500. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year.

Form 5578. Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax.

Form 5768. Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation.

Form 7004. Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns.

Form 8038 series. Tax-exempt bonds.

Form 8274. Certification by Churches and Qualified Church-Controlled Organizations Electing Exemption From Employer Social Security and Medicare Taxes.

Form 8282. Donee Information Return. Required of the donee of charitable deduction property who sells, exchanges, or otherwise disposes of donated property within 3 years after receiving it. The form is also required of any successor donee who disposes of the charitable deduction property within 3 years after the date that the donor gave the property to the original donee. It doesn't matter who gave the property to the successor donee. It may have been the original donee or another successor donee.

Form 8283. Noncash Charitable Contributions.

Form 8300. Report of Cash Payments Over $10,000 Received in a Trade or Business. Used to report cash amounts in excess of $10,000 that were received in a single transaction (or in two or more related transactions) in the course of a trade or business (as defined in section 162).

However, if the organization receives a charitable cash contribution in excess of $10,000, it isn't subject to the reporting requirement since the funds weren't received in the course of a trade or business.

Form 8328. Carryforward Election of Unused Private Activity Bond Volume Cap.

Form 8718. User Fee for Exempt Organization Determination Letter Request.

Form 8821. Tax Information Authorization.

Form 8822-B. Change of Address or Responsible Party—Business. Used to notify the IRS of a change in mailing address that occurs after the return is filed.

Form 8868. Application for Automatic Extension of Time To File an Exempt Organization Return.

Form 8870. Information Return for Transfers Associated With Certain Personal Benefit Contracts. Used to identify those personal benefit contracts for which funds were transferred to the organization, directly or indirectly, as well as the transferors for, and beneficiaries of, those contracts.

Form 8871. Political Organization Notice of Section 527 Status.

Form 8872. Political Organization Report of Contributions and Expenditures.

Form 8886. Reportable Transaction Disclosure Statement.

Form 8886-T. Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction.

Form 8899. Notice of Income From Donated Intellectual Property. Used to report net income from qualified intellectual property to the IRS and the donor.

Form 8940. Request for Miscellaneous Determination.

Form 8963. Report of Health Insurance Provider Information.

Form 8976. Notice of Intent to Operate Under Section 501(c)(4).

Form SS-4. Application for Employer Identification Number.

FinCEN Form 114. Report of Foreign Bank and Financial Accounts.

Helpful Publications

Pub. 15. (Circular E), Employer's Tax Guide.

Trust Fund Recovery Penalty. *If certain excise, income, social security, and Medicare taxes that must be collected or withheld aren't collected or withheld, or these taxes aren't paid to the IRS, the trust fund recovery penalty can apply. The trust fund recovery penalty can be imposed on all persons (including volunteers) who the IRS determines were responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so.*

This penalty doesn't apply to volunteer unpaid members of any board of trustees or directors of a tax-exempt organization, if these members are solely serving in an honorary capacity, don't participate in the day-to-day or financial activities of the organization, and don't have actual knowledge of the failure to collect, account for, and pay over these taxes. However, the preceding sentence doesn't apply if it results in no person being liable for the penalty.

The penalty is equal to the unpaid trust fund tax. See Pub. 15 (Circular E) for more details, including the definition of responsible persons.

Pub. 15-A. Employer's Supplemental Tax Guide.

Pub. 463. Travel, Gift, and Car Expenses.

Pub. 525. Taxable and Nontaxable Income.

Pub. 526. Charitable Contributions.

Pub. 538. Accounting Periods and Methods.

Pub. 557. Tax-Exempt Status for Your Organization.

Pub. 561. Determining the Value of Donated Property.

Pub. 598. Tax on Unrelated Business Income of Exempt Organizations.

Pub. 892. How to Appeal an IRS Decision on Tax-Exempt Status.

Pub. 946. How To Depreciate Property.

Pub. 1771. Charitable Contributions—Substantiation and Disclosure Requirements.

Pub. 1828. Tax Guide for Churches and Religious Organizations.

Pub. 3079. Tax-Exempt Organizations and Gaming.

Pub. 3386. Tax Guide for Veterans' Organizations.

Pub. 3833. Disaster Relief, Providing Assistance Through Charitable Organizations.

Pub. 4220. Applying for 501(c)(3) Tax-Exempt Status.

Pub. 4221-PC. Compliance Guide for 501(c)(3) Public Charities.

Pub. 4221-PF. Compliance Guide for 501(c)(3) Private Foundations.

Pub. 4302. A Charity's Guide to Vehicle Donation.

Pub. 4303. A Donor's Guide to Vehicle Donation.

Pub. 4386. Compliance Checks.

Pub. 4573. Group Exemptions.

Appendix I. Use of Form 990 or 990-EZ To Satisfy State Reporting Requirements

Some states and local **governmental units** will accept a copy of Form 990 or 990-EZ in place of all or part of their own financial report forms. The substitution applies primarily to section 501(c)(3) organizations, but some other types of section 501(c) organizations are also affected. If the organization uses Form 990 or 990-EZ to satisfy state or local filing requirements, such as those under state charitable solicitation acts, note the following discussions.

Determine state filing requirement. The organization can consult the appropriate officials of all states and other jurisdictions in which it does business to determine their specific filing requirements. Doing business in a jurisdiction can include:

- Soliciting **contributions** or grants by mail or otherwise from individuals, businesses, or other charitable organizations;
- Conducting programs;
- Having **employees** within that jurisdiction;
- Maintaining a checking account; or
- Owning or renting property there.

Monetary tests can differ. Some or all of the dollar limitations applicable to Form 990 or 990-EZ when filed with the IRS may not apply when using Form 990 or 990-EZ in place of state or local report forms. Examples of the IRS dollar limitations that don't meet some state requirements are the normally $50,000 gross receipts minimum that creates an obligation to file with the IRS and the $100,000 minimum for listing independent contractors on Form 990, Part VII, Section B.

Additional information may be required. State or local filing requirements can require the organization to attach to Form 990 or 990-EZ one or more of the following.

- Additional financial statements, such as a complete analysis of functional expenses or a statement of changes in net assets.
- Notes to financial statements.
- Additional financial statements.
- A report on the financial statements by an independent accountant.
- Answers to additional questions and other information.

Each jurisdiction can require the additional material to be presented on forms they provide. The additional information shouldn't be submitted with the Form 990 or 990-EZ filed with the IRS, unless included on Schedule O (Form 990).

Even if the Form 990 or 990-EZ that the organization files with the IRS is accepted by the IRS as complete, a copy of the same return filed with a state won't fully satisfy that state's filing requirement if (1) required information isn't provided, including any of the additional information discussed in this Appendix; or (2) the state determines that the form wasn't completed by following the applicable Form 990 or 990-EZ instructions or supplemental state instructions. In that case, the state may ask the organization to provide the missing information or to submit an amended return.

Use of audit guides may be required. To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts, grants, similar amounts, and functional expenses be reported according to the AICPA Audit and Accounting Guide, Not-for-Profit Entities (2018), supplemented, as applicable, by the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America (1998).

Donated services and facilities. Even though donated services and facilities may be reported as items of revenue and expense in certain circumstances, many

states and the IRS don't permit the inclusion of those amounts in Parts VIII and IX of Form 990, Part I of Form 990-EZ, or (except for donations by a governmental unit) in Schedule A (Form 990). The optional reporting of donated services and facilities is discussed in the instructions for Part III of Form 990.

Amended returns. If the organization submits supplemental information or files an amended Form 990 or 990-EZ with the IRS, it must also send a copy of the information or amended return to any state with which it filed a copy of Form 990 or 990-EZ originally to meet that state's filing requirement. If a state requires the organization to file an amended Form 990 or 990-EZ to correct conflicts with the Form 990 or 990-EZ instructions, the organization must also file an amended return with the IRS.

Method of accounting. Most states require that all amounts be reported based on the accrual method of accounting. See also *General Instruction D*, earlier.

Time for filing can differ. The deadline for filing Form 990 or 990-EZ with the IRS differs from the time for filing reports with some states.

Public inspection. The Form 990 or 990-EZ information made available for public inspection by the IRS can differ from that made available by the states.

Appendix J. Contributions

This Appendix discusses certain federal tax rules that apply to exempt organizations and donors for contributions. See also Pub. 526, Charitable Contributions; and Pub. 1771, Charitable Contributions—Substantiation and Disclosure Requirements.

Schedule B (Form 990). Many organizations that file Form 990, 990-EZ, or 990-PF must file Schedule B to report on tax-deductible and non-tax-deductible contributions. See Schedule B and its instructions to determine whether Schedule B must be filed, and for the public inspection rules applicable to that form.

Solicitation of nondeductible contribution. See the instructions for Form 990, Part V, lines 6a and 6b, for rules on public notice of nondeductibility when soliciting nondeductible contributions.

Keeping fundraising records for tax-deductible contributions. A section 501(c) organization that is eligible to receive tax-deductible contributions under section 170(c) must keep sample copies of its fundraising materials, such as:

- Dues statements,
- Fundraising solicitations,
- Tickets,
- Receipts, or
- Other evidence of payments received in connection with fundraising activities.

IF...	THEN...
the organization advertises its fundraising events	it must keep samples of the advertising copy.
the organization uses radio, television, or Internet to solicit contributions	it must keep samples of scripts, transcripts, printouts of emails and web pages, or other evidence of solicitations in the media.
the organization uses outside fundraisers	it must keep samples of the fundraising materials used by the outside fundraisers.

For each fundraising event, the organization must keep records to show the portion of any payment received from patrons that isn't deductible; that is, the retail value of the goods or services received by the patrons. See *Disclosure statement for quid pro quo contributions*, later.

Noncash contributions. ***Form 990 schedules.*** An organization may be required to file Schedule M to report certain noncash (property) contributions; see the instructions for Schedule M on who must file. Also, an organization that files Schedule B must report certain information on noncash contributions.

Dispositions of donated property. If an organization receives a charitable contribution of property and within 3 years sells, exchanges, or otherwise disposes of the property, the organization may need to file Form 8282, Donee Information Return. See Form 990, Part V, lines 7c and 7d.

Donated property over $5,000. If the organization received from a donor a partially completed Form 8283, Noncash Charitable Contributions, the donee organization should generally complete the Form 8283 and return it so the donor can get a charitable contribution deduction. The organization should keep a copy for its records. See Form 8283 for more details.

Qualified intellectual property. An organization described in section 170(c) (except a private foundation) that receives or accrues net income from a qualified intellectual property contribution must file Form 8899, Notice of Income From Donated Intellectual Property. See Form 990, Part V, line 7g. The organization must file Form 8899 for any tax year that includes any part of the 10-year period beginning on the date of contribution but not for any tax years in which the legal life of the qualified intellectual property has expired or the property failed to produce net income.

A donee organization reports all income from donated qualified intellectual property as income other than contributions (for example, royalty income from a patent). A donee isn't required to report as contributions on Form 990 (including statements) any of the additional deductions claimed by donors under section 170(m)(1). See Pub. 526.

Motor vehicles, boats, and airplanes. Special rules apply to charitable contributions of motor vehicles, boats, or airplanes with a claimed value of more than $500. See Form 990, Part V, line 7h; section 170(f)(12); Pub. 4302, A Charity's Guide to Vehicle Donation; and the Instructions for Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes.

Substantiation and disclosure requirements for charitable contributions.

Recordkeeping for cash, check, or other monetary charitable gifts. To deduct a contribution of a cash, check, or other monetary gift (regardless of the amount), a donor must maintain a bank record or a written communication from the donee organization showing the donee's name, date, and amount of the contribution. See section 170(f)(17) and Regulations section 1.170A-15 for more information. In the case of a text message contribution, the donor's phone bill meets the section 170(f)(17) recordkeeping requirement of a reliable written record if it shows the name of the donee organization and the date and amount of contribution.

Acknowledgment to substantiate charitable contributions. A donee organization should be aware that a donor of a charitable contribution of $250 or more (including a contribution of unreimbursed expenses) can't take an income tax deduction unless the donor obtains the organization's acknowledgment to substantiate the charitable contribution. See section 170(f)(8) and Regulations section 1.170A-13(f). A charitable organization that receives a payment made as a contribution is treated as the donee organization for this purpose even if the organization (according to the donor's instructions or otherwise) distributes the amount received to one or more charities.

The organization's acknowledgment must:

1. Be written;

2. Be contemporaneous;

3. State the amount of any cash it received;

4. State:

a. Whether the organization gave the donor any intangible religious benefits (no valuation needed), and

b. Whether the organization gave the donor any goods or services in return for the donor's contribution (a quid pro quo contribution); and

5. Describe goods or services the organization:

a. Received (no valuation needed), and

b. Gave (good faith estimate of value needed).

If the organization accepts a contribution in the name of one of its activities or programs, then indicate the organization's name in the acknowledgment as well as the program's name. For example: "Thank you for your contribution of $300 to (organization's name) made in the name of our Special Relief Fund program. No goods or services were provided in exchange for your contribution."

Similarly, if a domestic organization owns and controls a domestic disregarded entity, and the disregarded entity receives a contribution, then indicate the organization's name in the acknowledgment as well as the relationship with the disregarded entity. For example: "Thank you for your contribution of $300 to (organization's name) made in the name of (name of disregarded entity), which is treated as a disregarded entity of (organization's name) for federal tax purposes. No goods or services were provided in exchange for your contribution." See Notice 2012-52, 2012-35 I.R.B. 317.

Exception. The written acknowledgment need not include a good faith estimate of value for goods or services given to the donor if they are:

1. Goods or services with insubstantial value,

2. Certain membership benefits,

3. Goods or services described in (1) or (2) given to the employees of a donor organization or the partners of a donor partnership, or

4. Intangible religious benefits.

These exceptions are defined below.

Disclosure statement for quid pro quo contributions. If the organization receives a quid pro quo contribution of more than $75, the organization must provide a disclosure statement to the donor. See section 6115.

The organization's disclosure statement must:

1. Be written;

2. Estimate in good faith the value of the organization's goods or services given in return for the donor's contribution;

3. Describe, but need not value, certain goods or services given to the donor's employees or partners; and

4. Inform the donor that a charitable contribution deduction is limited as follows.

Donor's contribution
Less
The organization's money, goods, and services given in return
Equals
Donor's deductible charitable contribution.

Exceptions. No disclosure statement is required if the organization gave only:

1. Goods or services with insubstantial value,

2. Certain membership benefits,

3. Goods or services described in (1) or (2) given to the employees of a donor organization or the partners of a donor partnership, or

4. Intangible religious benefits.

These exceptions are defined below. See also Regulations sections 1.170A-1, 1.170A-13, and 1.6115-1.

Certain goods or services disregarded for substantiation and disclosure purposes.

Goods or services with insubstantial value. Generally, under section 170, the deductible amount of a contribution is determined by taking into account the **FMV**, not the cost to the charity, of any benefits that the donor received in return. However, the cost to the charity may be used in determining whether the benefits are insubstantial. See *Cost basis* next.

Cost basis. If a taxpayer makes a payment of $58.50 or more to a charity and receives only token items in return, the items have insubstantial value if they:

- Bear the charity's name or logo, and
- Have an aggregate cost to the charity of $11.70 or less (low-cost article amount of section 513(h)(2)).

FMV basis. If a taxpayer makes a payment to a charitable organization in a fundraising campaign and receives benefits with an **FMV** of not more than 2% of the amount of the payment, or $117, whichever is less, the benefits received have insubstantial value in determining the taxpayer's contribution.

Amounts updated for inflation

Updated Revenue Procedure reference

The dollar amounts given above are applicable to tax year 2022 under Rev. Proc. 2021-45, 2021-48 I.R.B.764, section 3.34. They are adjusted annually for inflation.

When a donee organization provides a donor only with goods or services having insubstantial value under Rev. Proc. 2021-45 (and any successor documents), the contemporaneous written acknowledgment may indicate that no goods or services were provided in exchange for the donor's payment.

Certain membership benefits. Other goods or services that are disregarded for substantiation and disclosure purposes are annual membership benefits offered to a taxpayer in exchange for a payment of $75 or less per year that consist of:

1. Any rights or privileges that the taxpayer can exercise frequently during the membership period such as:

a. Free or discounted admission to the organization's facilities or events, or

b. Free or discounted parking; or

2. Admission to events that are:

a. Open only to members, and

b. Within the low-cost article limitation, per person.

Example 1. E offers a basic membership benefits package for $75. The package gives members the right to buy tickets in advance, free parking, and a gift shop discount of 10%. E's $150 preferred membership benefits package also includes a $20 poster. Both the basic and preferred membership packages are for a 12-month period and include about 50 productions. E offers F, a patron of the arts, the preferred membership benefits in return for a payment of $150 or more. F accepts the preferred membership benefits package for $300. E's written acknowledgment satisfies the substantiation requirement if it describes the poster, gives a good faith estimate of its **FMV** ($20), and disregards the remaining membership benefits.

Example 2. In *Example 1*, if F received only the basic membership package for its $300 payment, E's acknowledgment need state only that no goods or services were provided.

Example 3. G Theater Group performs four plays. Each play is performed twice. Nonmembers can purchase a ticket for $15. For a $60 membership fee, however, members are offered free admission to any of the performances. H makes a payment of $350 and accepts this membership benefit. Because of the limited number of performances, the membership privilege can't be exercised frequently. Therefore, G's acknowledgment must describe the

free admission benefit and estimate its value in good faith.

Certain goods or services provided to donor's employees or partners. Certain goods or services provided to employees of donor organizations or partners of donor partnerships may be disregarded for substantiation and disclosure purposes. Nevertheless, the donee organization's disclosure statement must describe the goods or services. A good faith estimate of value isn't needed.

Example. Museum J offers a basic membership benefits package for $40. It includes free admission and a 10% gift shop discount. Corporation K makes a $50,000 payment to J and in return, J offers K's employees free admission, a t-shirt with J's logo that costs J $4.50, and a 25% gift shop discount. Because the free admission is a privilege that can be exercised frequently and is offered in both benefit packages, and the value of the t-shirts is insubstantial, Museum J's disclosure statement need not value or mention the free admission benefit or the t-shirts. However, because the 25% gift shop discount to K's employees differs from the 10% discount offered in the basic membership benefits package, J's disclosure statement must describe the 25% discount, but need not estimate its value.

Definitions

Substantiation. It is the responsibility of the donor:

- To value a donation, and
- To obtain an organization's written acknowledgment substantiating the donation.

There is no prescribed format for the organization's written acknowledgment of a donation. Letters, postcards, or computer-generated forms may be acceptable. The acknowledgment must, however, provide sufficient information to substantiate the amount of the deductible contribution. The organization may either:

- Provide separate statements for each contribution of $250 or more, or
- Furnish periodic statements substantiating contributions of $250 or more.

Separate contributions of less than $250 aren't subject to the requirements of section 170(f)(8), whether or not the sum of the contributions made by a taxpayer to a donee organization during a tax year equals $250 or more.

Contemporaneous. A written acknowledgment is contemporaneous if the donor obtains it on or before the earlier of:

- The date the donor files the original return for the tax year in which the contribution was made, or
- The due date (including extensions) for filing the donor's original return for that year.

Substantiation of payroll contributions. An organization may substantiate an employee's contribution by deduction from its payroll by:

- A pay stub, Form W-2, or other document showing a contribution to a donee organization, together with
- A pledge card or other document from the donee organization that shows its name. For contributions of $250 or more, the document must state that the donee organization provides no goods or services for any payroll contributions.

The amount withheld from each payment of wages to a taxpayer is treated as a separate contribution.

Substantiation of matched payments. If a taxpayer's payment to a donee organization is matched by another payor, and the taxpayer receives goods or services in consideration for its payment and some or all of the matching payment, those goods or services will be treated as provided in consideration for the taxpayer's payment and not in consideration for the matching payment.

Disclosure statement. An organization must provide a written disclosure statement to donors who make a quid pro quo contribution in excess of $75 (section 6115). This requirement is separate from the written substantiation acknowledgment a donor needs for deductibility purposes. While, in certain circumstances, an organization may be able to meet both requirements with the same written document, an organization must be careful to satisfy the section 6115 written disclosure statement requirement in a timely manner because of the penalties involved.

Quid pro quo contribution. A quid pro quo contribution is a payment that is made both as a contribution and as a payment for goods or services provided by the donee organization.

Example. A donor gives a charity $100 in consideration for a concert ticket valued at $40 (a quid pro quo contribution). In this example, $60 would be deductible. Because the donor's payment exceeds $75, the organization must furnish a disclosure statement even though the taxpayer's deductible amount doesn't exceed $75. Separate payments of $75 or less made at different times of the year for separate fundraising events won't be aggregated for purposes of the $75 threshold.

Good faith estimate. An organization may use any reasonable method in making a good faith estimate of the value of goods or services provided by that organization in consideration for a taxpayer's payment to that organization. A good faith estimate of the value of goods or services that aren't generally available in a commercial transaction may be determined by reference to the **FMV** of similar or comparable goods or services. Goods or services may be similar or comparable even though they don't have the unique qualities of the goods or services that are being valued.

Goods or services. Goods or services include:

- Cash,
- Property,
- Services,
- Benefits, and
- Privileges.

In consideration for. A donee organization provides goods or services in consideration for a taxpayer's payment if, at the time the taxpayer makes the payment to the donee organization, the taxpayer receives, or expects to receive, goods or services in exchange for that payment.

Goods or services a donee organization provides in consideration for a payment by a taxpayer include goods or services provided in a year other than the year in which the donor makes the payment to the donee organization.

Intangible religious benefits. Intangible religious benefits are provided only by organizations organized exclusively for religious purposes. Examples include:

- Admission to a religious ceremony; and
- De minimis tangible benefits, such as wine provided in connection with a religious ceremony.

Penalties. A charity that knowingly provides a false substantiation acknowledgment to a donor may be subject to the penalties under section 6701 and/or section 7206(2) for aiding and abetting an understatement of tax liability.

Charities that fail to provide the required disclosure statement for a quid pro quo contribution of more than $75 will incur a penalty of $10 per contribution, not to exceed $5,000 per fundraising event or mailing. The charity may avoid the penalty if it can show that the failure was due to reasonable cause (section 6714).

Appendix K. Reporting Information for Section 501(c)(21) Black Lung Trusts

For tax years beginning before January 1, 2021, section 501(c)(21) black lung trusts that could not use Form 990-N, e-Postcard (see *Who Must File*, earlier), used Form 990-BL to meet the reporting requirements of section 6033. A section

501(c)(21) black lung trust, trustee, or disqualified person liable for section 4951 or 4952 excise taxes also used Form 990-BL to report and pay those taxes.

For tax years beginning after December 31, 2020, section 501(c)(21) trusts will use Form 990 instead of Form 990-BL to meet section 6033 reporting requirements. A section 501(c)(21) black lung trust, trustee, or disqualified person liable for section 4951 or 4952 excise taxes will use Form 6069 to report and pay sections 4951 and 4952 excise taxes.

In general, a section 501(c)(21) trust will complete Form 990 in the same manner as any other organization required to file Form 990, including (without limitation) schedules or forms identified upon completion of Part IV, Checklist of Required Schedules; or Part V, Statements Regarding Other IRS Filings and Tax Compliance.

The following chart is intended to help section 501(c)(21) black lung trusts identify some of the key lines on Form 990 that correspond with certain lines of Form 990-BL, especially a heading block item and in Part I.

Section 501(c)(21) Black Lung Trusts

Form 990-BL		Form 990	
Heading Area	**FMV** of the trust's assets at the beginning of the operator's tax year within which the trust's tax year begins.	Part X, Balance Sheet	Check the box at the top of Part X and include a note on Schedule O (Form 990) providing the FMV at the beginning of the operator's year within which the trust's year begins.
Part I, Analysis of Revenue and Expenses, Line 1	Contributions received under section 192 from the coal mine operator who established the trust.	Part VIII, Statement of Revenue, Line 1f	Enter the total contributions received under section 192 from the coal mine operator who established the trust.
Part I, Analysis of Revenue and Expenses, Lines 2a and 2b	Interest on securities of the U.S., state, and local governments, described in section 501(c)(21)(D)(ii).	Part VIII, Statement of Revenue, Line 3	Investment income (including dividends, interest, and other similar amounts).
Part I, Analysis of Revenue and Expenses, Line 4	Contributions to the Federal Black Lung Disability Trust Fund.	Part IX, Statement of Functional Expenses, Line 1	Grants and other assistance to domestic organizations and domestic governments. (Detail reported on Schedule I (Form 990).)
Part I, Analysis of Revenue and Expenses, Line 5	Premiums for insurance to cover liabilities described in section 501(c)(21)(A)(i)(I).		
Part I, Analysis of Revenue and Expenses, Line 6	Other payments to or for the benefit of eligible coal miners, retired miners, or beneficiaries.	Part IX, Statement of Functional Expenses, Line 2	Grants and other assistance to domestic individuals. (Detail reported on Schedule I (Form 990).)

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

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No substantive changes were made to Schedule A for 2022.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule A (Form 990)

Public Charity Status and Public Support

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form 990 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990, Return of Organization Exempt From Income Tax.

Purpose of Schedule

Schedule A (Form 990) is used by an organization that files Form 990, Return of Organization Exempt From Income Tax, or Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, to provide the required information about **public charity** status and public support.

Who Must File

An organization that answered "Yes" to Form 990, Part IV, line 1, must complete and attach Schedule A (Form 990) to Form 990. Any section 501(c)(3) organization (or organization treated as such) that files a Form 990-EZ must complete and attach this schedule to Form 990-EZ. These include:

- Organizations that are described in section 501(c)(3) and are **public charities**;
- Organizations that are described in sections 501(e), 501(f), 501(j), 501(k), or 501(n); and
- **Nonexempt charitable trusts** described in section 4947(a)(1) that aren't treated as private foundations.

If an organization isn't required to file Form 990 or 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

TIP *Any organization that is exempt from tax under section 501(c)(3) but is a private foundation and not a public charity shouldn't file Form 990, Form 990-EZ, or Schedule A (Form 990), but should file Form 990-PF, Return of Private Foundation or Section 4947(a)(1) Trust Treated as Private Foundation. See the instructions to* Part I.

Accounting Method

When completing Schedule A (Form 990), the organization must use the same accounting method it checked on Form 990, Part XII, line 1, or Form 990-EZ, line G. The organization must use this accounting method in reporting all amounts on Schedule A (Form 990), regardless of the accounting method it used in completing Schedule A (Form 990) for prior years, except that in *Part V*, Sections D and E, distributions must be reported on the cash receipts and disbursements method.

If the accounting method the organization used in completing the 2021 Schedule A (Form 990) was different from the accounting method checked on the 2022 Form 990, Part XII, line 1, or the 2022 Form 990-EZ, line G, the organization shouldn't report in either *Part II* or *Part III* the amounts reported in the applicable columns of the 2021 Schedule A (Form 990). Instead, the organization should report all amounts in *Part II* or *Part III* using the accounting method checked on the 2022 Form 990, Part XII, line 1, or the 2022 Form 990-EZ, line G.

TIP *If the organization changed its accounting method from a prior year, it should provide an explanation in Schedule O (Form 990), Supplemental Information to Form 990 or 990-EZ.*

Example 1. An organization checks "Cash" on Form 990, Part XII, line 1. It should report the amounts in *Part II* or *Part III* using the cash method. If the organization filed a 2021 Schedule A (Form 990) using the cash method, it should report in the 2018 through 2021 columns on the 2022 Schedule A (Form 990) the same amounts that it reported in the 2018 through 2021 columns on the 2022 Schedule A (Form 990).

Example 2. An organization checks "Accrual" on Form 990, Part XII, line 1. The organization reports grants on Form 990, Part VIII, line 1, in accordance with the Financial Accounting Standards Board **FASB ASC 958** (see the instructions for Form 990, Part VIII, line 1). During the year, the organization receives a grant to be paid in future years. The organization should report the grant's present value on the 2022 Schedule A (Form 990). The organization should report accruals of present value increments to the unpaid grant on Schedule A (Form 990) in future years.

Specific Instructions

Part I. Reason for Public Charity Status

Lines 1–12 (in general)

Check only one of the boxes on lines 1 through 12 to indicate the reason the organization is a **public charity** for the **tax year**. The reason can be the same as stated in the organization's tax-exempt determination letter from the IRS ("exemption letter") or subsequent IRS determination letter, or it can be different. An organization that doesn't check any of the boxes on lines 1 through 12 shouldn't file Form 990, Form 990-EZ, or Schedule A (Form 990) for the tax year, but should file Form 990-PF instead.

If an organization believes there is more than one reason why it is a public charity, it should check only one box but can

explain the other reasons it qualifies for public charity status in *Part VI*. An organization that claims a public charity status other than section 170(b)(1)(A)(vi) can also demonstrate that it qualifies under section 170(b)(1)(A)(vi) by completing *Part II*; it may want to do so for purposes such as qualifying for the first Special Rule in Schedule B (Form 990), Schedule of Contributors, by meeting the 33$^1/_3$% support test.

The IRS doesn't update its records on an organization's public charity status based on a change the organization makes on Schedule A (Form 990). Thus, an organization that checks a public charity status different from the reason stated in its exemption letter or subsequent determination letter, although not required, may submit a request to the IRS Exempt Organizations Determinations Office for a determination letter confirming that it qualifies for the new public charity status if the organization wants the IRS records to reflect that new public charity status (also referred to as "private foundation status"). See Form 8940, Request for Miscellaneous Determination, for instructions. A $500 user fee must be submitted with such a request. See Appendix A of Rev. Proc. 2021-5 I.R.B. 250.

A **subordinate organization** of a **group exemption** that is filing its own return, but hasn't received its own tax exemption determination letter from the IRS, should check the public charity status box which most accurately describes its public charity status.

An organization that doesn't know the public charity status stated in its exemption letter or subsequent determination letter should call the Exempt Organizations Customer Account Services toll free at 877-829-5500 or write to:

Internal Revenue Service
TE/GE Customer Account Services
P.O. Box 2508
Cincinnati, OH 45201

See the following examples.

Example 1. The organization received an exemption letter that it is a public charity under section 170(b)(1)(A)(vi). For the tax year, it meets the requirements for public charity status under section 170(b)(1)(A)(vi). The organization should check the box on line 7 and complete *Part II*.

Example 2. The organization received an exemption letter that it is a public charity under section 170(b)(1)(A)(vi). For the tax year, it doesn't meet the requirements for public charity status under section 170(b)(1)(A)(vi). Instead, it meets the requirements for public charity status under section 509(a)(2). The organization should check the box on line 10 and complete *Part III*.

Example 3. The organization received an exemption letter that it is a public charity under section 509(a)(2). For the tax year, it doesn't meet the requirements for public charity status under section 509(a)(2) or 170(b)(1)(A)(vi). Instead, it meets the requirements for public charity status as a **supporting organization** under section 509(a)(3). The organization should:

1. Check the box for line 12 and either line 12a, 12b, 12c, or 12d;
2. Complete line 12f;
3. Complete the table on line 12g; and
4. Complete *Part IV* and (if applicable) *Part V*.

Example 4. The organization received an exemption letter that it is a **supporting organization** under section 509(a)(3). Based on Rev. Proc. 2021-5, the organization submitted a Form 8940 request to the IRS to change its classification to public charity status under section 509(a)(2). For the tax year, it meets the requirements of section 509(a)(2). The organization received a determination letter that it has been reclassified as a public charity under section 509(a)(2). The organization should check the box on line 10 and complete *Part III*.

Example 5. The organization received an exemption letter that it is a public charity under section 170(b)(1)(A)(vi). For the tax year, it doesn't meet the requirements for public charity status under section 170(b)(1)(A)(vi) or 509(a)(2), or as a supporting organization under section 509(a)(3). Nor does it meet the requirements for public charity status under any other provision of the Internal Revenue Code. The organization is a **private foundation** and shouldn't file Form 990, Form 990-EZ, or Schedule A (Form 990) for the tax year but should file Form 990-PF instead.

Example 6. The organization received an exemption letter that it is a **supporting organization** under section 509(a)(3). The letter doesn't state which type of supporting organization it is. The organization should review the instructions for lines 12a through 12d to determine which type best describes the organization. The organization may wish to file Form 8940 to request a determination of type.

Line 1. Check the box for a **church**, convention of churches, or association of churches. Pub. 1828, Tax Guide for Churches and Religious Organizations, lists certain characteristics generally attributed to churches. These attributes of a church have been developed by the IRS and by court decisions. They include: distinct legal existence, recognized creed and form of worship, definite and distinct ecclesiastical government, formal code of doctrine and discipline, distinct religious history, membership not associated with any other church or denomination, organization of ordained ministers, ordained ministers selected after completing prescribed courses of study, literature of its own, established places of worship, regular congregations, regular religious services, Sunday schools for the religious instruction of the young, and schools for the preparation of its ministers. The IRS generally uses a combination of these characteristics, together with other facts and circumstances, to determine whether an organization is considered a church for federal tax purposes.

Line 2. Check the box for a **school** whose primary function is the presentation of formal instruction, which regularly has a faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted. A private school must have a racially nondiscriminatory policy toward its students. For details about these requirements, see Schedule E (Form 990), Schools, and its related instructions.

TIP *An organization that checks the box on line 2 must also complete Schedule E (Form 990), Schools.*

Line 3. Check the box for an organization whose main purpose is to provide hospital or medical care. A rehabilitation institution or an outpatient clinic can qualify as a hospital if its principal purposes or functions are the providing of hospital or medical care, but the term doesn't include medical schools, medical research organizations, convalescent homes, homes for children or the aged, or vocational training institutions for handicapped individuals.

Check the box on line 3 also for a cooperative hospital service organization described in section 501(e).

TIP *The definition of hospital for Schedule A (Form 990),* Part I*, is different from the definition for Schedule H (Form 990), Hospitals. Accordingly, see* Who Must File *in the Instructions for Schedule H (Form 990) about whether the organization is also required to complete Schedule H (Form 990).*

Line 4. Check the box for an organization whose principal purpose or function is to engage in **medical research**, and that is directly engaged in the continuous active conduct of medical research in conjunction with a hospital. The hospital must be described in section 501(c)(3) or operated by the federal government, a state or its political subdivision, a U.S. possession or its political subdivision, or the District of Columbia.

If the organization primarily gives funds to other organizations (or grants and scholarships to individuals) for them to do the research, the organization isn't a medical research organization.

The organization isn't required to be an affiliate of the hospital, but there must be a joint effort by the organization and the hospital to maintain continuing close cooperation in the active conduct of medical research.

TIP *The definition of medical research for Schedule A (Form 990),* Part I*, is different from the definition for Schedule H (Form 990), Hospitals. Accordingly, research that is medical research for purposes of determining whether an organization is a medical research organization isn't necessarily medical research for Schedule H (Form 990) reporting purposes.*

Assets test/expenditure test. An organization qualifies as a medical research organization if its principal purpose is medical research, and if it devotes more than half its assets, or spends at least 3.5% of the **fair market value** of its endowment, directly in conducting **medical research**. Either test can be met based on a computation period consisting of the immediately preceding tax year or the immediately preceding 4 tax years.

If an organization doesn't satisfy either the assets test or the expenditure test, it can still qualify as a medical research organization based on the circumstances involved.

These tests are discussed in Regulations sections 1.170A-9(d)(2)(v) and (vi). Under these tests, value the organization's assets as of any day in its tax year using the same day every year, and value the endowment at fair market value using commonly accepted valuation methods. See Regulations section 20.2031.

Line 5. Check the box and complete *Part II* if the organization receives and manages property for and expends funds to benefit a college or university that is owned or operated by one or more states or political subdivisions. The school must be an organization described in the instructions for line 2.

Expending funds to benefit a college or university includes acquiring and maintaining the campus, its buildings and equipment, granting scholarships and student loans, and making any other payments in connection with the normal functions of colleges and universities.

The organization must meet the same public support test described later for line 7. See Rev. Rul. 82-132, 1982-2 C.B. 107.

Line 6. Only a federal, state, or local government or **governmental unit** that has received an exemption letter recognizing it as exempt from tax under section 501(c)(3) should check this box. See Rev. Rul. 60-384, 1960-2 C.B. 172.

Line 7. Check the box and complete *Part II* if the organization meets one of the section 170(b)(1)(A)(vi) public support tests. See the instructions for *Part II* regarding how an organization can qualify as a publicly supported organization under section 170(b)(1)(A)(vi).

Line 8. Check the box and complete *Part II* if the organization is a community trust and meets a section 170(b)(1)(A)(vi) public support test. A community trust is a charity that attracts large **contributions** for the benefit of a particular community or area, often initially from a small number of donors, and is generally governed by representatives of its particular community or area. See Regulations sections 1.170A-9(f)(10), (11), and (12).

CAUTION *A community trust claiming it qualifies as a public charity should check the box on line 8 whether it is structured as a corporation or as a trust.*

Line 9. Check the box if the organization is an agricultural research organization described in section 170(b)(1)(A)(ix) operated in conjunction with a land-grant college or university or a non-land grant college of agriculture. Enter the name, city, and state of the college or university. You don't have to complete *Part II*.

Line 10. Check the box and complete *Part III* if the organization meets both of the section 509(a)(2) support tests. See the instructions for *Part III* regarding how an organization can qualify as a publicly supported organization under section 509(a)(2).

Line 11. Check the box only if the organization has received a ruling from the IRS that it is organized and operated primarily to test for public safety.

Lines 12 and 12a–12d. If the organization is a **supporting organization**, check the box for line 12 and then check the appropriate box for line 12a, 12b, 12c, or 12d to indicate the type of supporting organization it is. The organization must also complete lines 12e and 12f, the table on line 12g, and *Part IV*. If the organization is a Type III non-functionally integrated supporting organization, it must also complete *Part V*.

For more information about supporting organizations, see Regulations section 1.509(a)-4 and sections 509(a)(3) and 509(f). For a brief overview of the requirements for qualification as a supporting organization, and the different types of supporting organizations, see Pub. 557, Tax-Exempt Status for Your Organization, and visit *IRS.gov/Charities-Non-Profits/Section-509(a)(3)-Supporting-Organizations*.

Use the information later to determine the supporting organization's type. If the organization checks the box on line 12e, the letter the organization received from the IRS identifies its type. If the box checked on any of lines 12a through 12d is different from the type stated in the letter (for example, because the organization has made significant changes to its structure or operations resulting in it no longer qualifying as the type of supporting organization indicated in its letter), provide an explanation in *Part VI*. If the organization

doesn't check the box on line 12e, it should check the box on line 12a, 12b, 12c, or 12d that best describes the type of supporting organization it is.

All supporting organizations, regardless of type, must be responsive to the needs or demands of one or more supported organizations, and must constitute an integral part of, or maintain a significant involvement in, the operations of one or more supported organizations. Although Type III *supporting organizations have specific "responsiveness" and "integral part" tests that must be met, the relationship between a* Type I *or* Type II *supporting organization and its supported organization(s) must also include these responsiveness and integral part characteristics. The ability of the supported organization(s) in a* Type I *or* Type II *relationship effectively to control the supporting organization's board generally ensures that these characteristics are present. If they aren't present, however, don't check any box for lines 12a through 12d. For more information, see Regulations sections 1.509(a)-4(f)(3) and (4).*

- **Type I.** A *Type I* **supporting organization** is operated, supervised, or controlled by one or more publicly **supported organizations**. If the organization otherwise qualifies as a supporting organization and can answer "Yes" to the following question, check the box for *Type I*.

Do the supported organizations have a substantial degree of direction over the policies, programs, and activities of the supporting organization, typically by ensuring that the **governing body**, officers, or membership of the supported organizations may regularly appoint or elect a majority of the supporting organization's directors or trustees?

- **Type II.** A *Type II* **supporting organization** is supervised or controlled in connection with one or more publicly supported organizations. If the organization otherwise qualifies as a supporting organization and can answer "Yes" to the following question, check the box for *Type II*.

Do the same persons, such as directors, trustees, and officers, supervise or control the **supported organization(s)** and the supporting organization?

- **Type III—Functionally integrated.** Check this box if the organization qualifies as a *Type III* functionally integrated supporting organization by meeting the following requirements.

1. The organization meets the notification requirement described in Part IV, Section D, line 1;

2. The organization meets the responsiveness test (both the relationship requirement and the significant voice requirement) described in Part IV, Section D, lines 2 and 3; and

3. The organization meets one of the alternative integral part tests described in Part IV, Section E.

- **Type III—Non-functionally integrated.** Check this box if the organization qualifies as a *Type III* non-functionally integrated supporting organization by meeting the following requirements.

1. The organization meets the notification requirement described in Part IV, Section D, line 1;

2. The organization meets the responsiveness test (both the relationship requirement and the significant voice requirement) described in Part IV, Section D, lines 2 and 3; and

3. The organization meets the integral part test by meeting either (a) the distribution and attentiveness requirements described in *Part V*, or (b) the alternative integral part test for certain trusts in existence on November 20, 1970, described in Part V, line 1.

Line 12e. The organization's exemption letter or subsequent determination letter may state the type of **supporting organization** it is. If it does, check the box on this line. If the letter doesn't state the type, or if the letter states *Type III* but doesn't specify whether functionally integrated or non-functionally integrated, leave this line blank.

A grantor to a section 509(a)(3) supporting organization, acting in good faith, can rely on this letter in determining whether the organization is a *Type I*, *Type II*, *Type III functionally integrated*, or *Type III non-functionally integrated* supporting organization. See Rev. Proc. 2018-32, 2018-23 I.R.B. 739.

Line 12f. A supporting organization must be organized and operated exclusively to support or benefit one or more specified publicly supported organizations. Please write in the space provided the number of supported organizations. Include all supported organizations that the organization was organized to support at any time during the tax year, whether or not they actually received support during the tax year.

Line 12g. An organization checking a box on line 12a, 12b, 12c, or 12d must complete the table on line 12g.

- **Columns (i) and (ii).** Enter the name and employer identification number (**EIN**) for each **supported organization** counted on line 12f. If the organization had more than five supported organizations during the tax year, enter the additional organizations on duplicate pages of Schedule A (Form 990), *Part I*. Use as many duplicate copies as needed, and number each page.
- **Column (iii).** For each supported organization named in column (i), enter the line number (from lines 1 through 10 above) that best describes the foundation status of the supported organization.

Example 1. If the supported organization is a hospital, then that is an organization described in section 170(b)(1)(A)(iii), and you should enter "3" in column (iii).

Example 2. If the supported organization is a federal, state, or local governmental unit, or foreign government, then that is an organization described in section 170(b)(1)(A)(v), and you should enter "6" in column (iii).

Example 3. If the supported organization is exempt under section 501(c)(4), 501(c)(5), or 501(c)(6), but can be supported by a supporting organization (see Regulations section 1.509(a)-4(k)), enter the line number (from lines 1 through 10 above) that would describe the section 501(c)(4), 501(c)(5), or 501(c)(6) organization if it were a section 501(c)(3) organization. Identify the specific code section (501(c)(4), 501(c)(5), or 501(c)(6)) for each such supported organization in *Part VI.*

The only correct entry in column (iii) is a line number (from lines 1 through 10) that corresponds to the description of the supported organization.

- **Column (iv).** Check "Yes" if the supported organization named in column (i) is specifically named as a supported organization in the organization's declaration of trust, articles of incorporation, or other governing document.
- **Column (v).** Enter the total amount of monetary support paid to, or for the benefit of, the supported organization named in column (i) during the **tax year**. Such monetary support may include making payments to or for the use of individual members of the charitable class benefited by the

supported organization (such as scholarships), and to 501(c)(3) public charities operated, supervised, or controlled directly by or in connection with the supported organization. See Regulations section 1.509(a)-4(e). If no monetary support was provided during the tax year, enter "0".

- **Column (vi).** In this column, the organization may (but isn't required to) provide an estimate of the fair market value of goods, other property, services, and use of facilities that is provided to or for the benefit of the supported organizations during the tax year. Describe in *Part VI* any such goods, other property, services, and use of facilities, whether or not an amount is reported for them in column (vi).

Part II. Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

CAUTION *If the organization checked a box in* Part I*, on line 5, 7, or 8, it should complete* Part II *and insert the appropriate dollar amounts. Don't leave* Part II *blank or report only zeros if the organization had any support during the period. If the organization checks the box in* Part II*, on line 13, it should stop there and not complete the rest of* Part II*.*

TIP *If the organization checked a box in* Part I*, on line 5, 7, or 8 and also checks the box in* Part II*, on line 18, the organization should complete* Part III *to determine if it qualifies as a publicly supported organization under section 509(a)(2). If it does qualify, the organization should instead check the box in* Part I*, on line 10.*

Public Support Test. For an organization to qualify as a publicly supported organization under section 170(b)(1)(A)(vi), either:

- 33 1/3% or more of its total support must come from governmental agencies, contributions from the general public, and contributions or grants from other public charities; or
- 10% or more of its total support must come from governmental agencies, contributions from the general public, and contributions or grants from other public charities and the facts and circumstances indicate it is a publicly supported organization.

Note. An organization won't meet either of these public support tests if almost all of its support comes from gross receipts from related activities and an insignificant amount of its support comes from **governmental units** and **contributions** made directly or indirectly by the general public.

Public support is measured using a 5-year computation period that includes the current and 4 prior tax years (including short years). If the organization's current tax year or any of its 4 prior tax years were short years, explain in *Part VI*.

If the organization wasn't a section 501(c)(3) organization for the entire 5-year period in *Part II*, report amounts only for the years the organization was a section 501(c)(3) organization.

Line 1. Don't include any "unusual grants." See *Unusual grants*, later. Include membership fees only to the extent to which the fees are payments to provide support for the organization rather than to purchase admissions, merchandise, services, or the use of facilities. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity, report the membership fees on line 12. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in an unrelated business activity, report the membership fees on line 9. See Regulations section 1.170A-9(f)(7)(iv). Include qualified sponsorship payments under section 513(i).

Noncash contributions. Use any reasonable method to determine the value of noncash contributions reported on line 1.

Don't report any donations of services (such as the value of donated advertising space or broadcast air time) or donations of use of materials, equipment, or facilities, on line 1 as gifts, grants, or contributions. Donated services and facilities from a **governmental unit** only are reported on line 3.

Loss on uncollectible pledge. If an organization records a loss on an uncollectible pledge that it reported on a prior year's Schedule A (Form 990), it should deduct that loss from the contribution amount for the year in which it originally counted that contribution as revenue. For example, if in the prior tax year the organization reported a pledged contribution with a then-present value of $50,000 in Part II, line 1, column (e), but learned during the current tax year that it wouldn't receive any of that pledged contribution, it should deduct the $50,000 from the amount reported in Part II, line 1, column (d), for the prior tax year.

Support from a governmental unit. Include on line 1 support received from a **governmental unit**. This includes **contributions**, but not gross receipts from exercising or performing the organization's tax-exempt purpose or function, which should be reported on line 12. An amount received from a governmental unit is treated as gross receipts from exercising or performing the organization's tax-exempt purpose or function if the purpose of the payment is primarily to serve the direct and immediate needs of the payor governmental unit, and is treated as a contribution, if the purpose is primarily to provide a direct benefit to the public. For example, a payment to maintain library facilities that are open to the public should be treated as a contribution. See Regulations section 1.170A-9(f)(8) and Rev. Rul. 81-276, 1981-2 C.B. 128. Refer to the instructions for Form 990, Part VIII, lines 1e and 2, for more examples addressing the distinction between government payments that are contributions and government payments that are gross receipts from activities related to the organization's tax-exempt purpose or function. Medicare and Medicaid payments are treated as gross receipts from patients rather than as contributions from the government payor for purposes of the public support test. See Rev. Rul. 83-153, 1983-2 C.B. 48.

TIP *The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established the Paycheck Protection Program (PPP) to provide loans to small businesses as a direct incentive to keep their workers on the payroll. The loans are forgiven if all employee retention criteria are met and the funds are used for eligible expenses. Amounts of PPP loans that are forgiven may be reported on line 1 as contributions from a governmental unit in the tax year when the amounts are forgiven or at such other time as provided in Rev. Proc. 2021-48, 2021-49 I.R.B. 835.*

Unusual grants. Unusual grants are generally substantial contributions and bequests from disinterested persons and are:

1. Attracted because of the organization's publicly supported nature,

2. Unusual and unexpected because of the amount, and

3. Large enough to endanger the organization's status as normally meeting either the 33 1/3% public support test or the 10%-facts-and-circumstances test.

For a list of other factors to be considered in determining whether a grant is an unusual grant, see Regulations section 1.509(a)-3(c)(4).

An unusual grant is excluded even if the organization receives or accrues the funds over a period of years.

Don't report gross investment income items as unusual grants. Instead, include all investment income on line 8.

See Rev. Rul. 76-440, 1976-2 C.B. 58; Regulations section 1.170A-9(f)(6)(ii); and Regulations sections 1.509(a)-3(c)(3) and (4) for details about unusual grants.

Include in *Part VI* a list showing the amount, but not the grantor, of each unusual grant actually received each year (if the cash accounting method is used) or accrued each year (if the accrual accounting method is used).

Don't include the names of the grantors because Part VI *will be made available for public inspection.*

Unusual grants recordkeeping. An organization that received any unusual grants during the 5-year period should also keep for its records a list showing, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the grant. If the organization used the cash method for the applicable year, show only the amounts the organization actually received during that year. If the organization used the accrual method for the applicable year, show only the amounts the organization accrued for that year. An example of this list is given below.

Don't file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 1. Example—List of unusual grants

Year ▶ **2022**	**Description**
Name ▶ Mr. Distinguished Donor	Undeveloped land
Date of Grant ▶ January 15, 2022	
Amount of Grant ▶ $600,000	

Conservation easements and qualified conservation contributions. The organization must report any qualified conservation contributions and contributions of conservation easements consistently with how it reports revenue from such contributions in its books, records, and financial statements and in Form 990, *Part VIII, Statement of Revenue*.

Reporting contributions not reported as revenue. If the organization reports any **contributions** on line 1 of Schedule A (Form 990), Part I, that it doesn't report on Form 990 as revenue in Part VIII or as assets in Part X, or as revenue or assets on Form 990-EZ, explain in *Part VI* the basis for characterizing such transfers as contributions but not as revenue or assets. For example, if an organization is a community foundation that receives and holds a cash transfer for another tax-exempt organization and reports contributions of such property on Schedule A (Form 990), Part II, line 1, without reporting it on Form 990 as revenue in Part VIII or assets in Part X, explain the basis for characterizing the property as contributions but not as revenue or assets.

Line 2. Enter tax revenue levied for the organization's benefit by a **governmental unit** and either paid to the organization or expended on its behalf. Report this amount whether or not the organization includes this amount as revenue on its financial statements or elsewhere on Form 990 or 990-EZ.

Line 3. Enter the value of services or facilities furnished by a **governmental unit** to the organization without charge. Don't include the value of services or facilities generally furnished to the public without charge. For example, include the fair rental value of office space furnished by a governmental unit to the organization without charge but only if the governmental unit doesn't generally furnish similar office space to the public without charge. Report these amounts whether or not the organization includes these amounts as revenue on its financial statements or elsewhere on Form 990 or 990-EZ.

Line 5. Enter in column (f) the portion of total **contributions** by each individual, trust, or corporation included on line 1 for the years reported that exceeds 2% of the amount reported in line 11, column (f). In applying the 2% limitation, all contributions made by a donor and by any person or persons standing in a relationship to the donor that is described in section 4946(a)(1)(C) through (a)(1)(G) and the related regulations (for example, spouses and certain other family members, and entities where ownership or control interests exceed a threshold level) will be treated as made by one person. However, the 2% limitation doesn't apply to contributions from organizations qualifying as publicly supported organizations under section 170(b)(1)(A)(vi), governmental units described in section 170(b)(1)(A)(v), and other organizations, such as the following, but only if they also qualify as publicly supported organizations under section 170(b)(1)(A)(vi).

- Churches described in section 170(b)(1)(A)(i),
- Educational institutions described in section 170(b)(1)(A)(ii),
- Hospitals described in section 170(b)(1)(A)(iii),
- Organizations operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv), and
- Agricultural research organizations described in section 170(b)(1)(A)(ix).

The organization should keep for its records a list showing the name of and amount contributed by each donor (other than a **governmental unit** or publicly supported organization) whose total gifts during the years reported exceed 2% of the amount reported in line 11, column (f). An example of this list is given later.

Don't file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 5. Example—List of donors other than governmental units and publicly supported organizations

Assumption: 2% of the amount on Schedule A (Form 990), Part II, line 11, column (f), is $12,000.							
Contributors whose total gifts from 2017 through 2021 were in excess of the 2% limitation							
	(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**
Name	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**	**Excess contributions (column (f) minus the 2% limitation)**
XYZ Foundation			$59,000	$3,000	$18,000	$80,000	$68,000
Banana Office Supply	$12,000			$3,000	$1,000	$16,000	$4,000
Plum Corporation			$15,000	$15,000		$30,000	$18,000
John Smith	$5,000	$5,000	$5,000	$1,000		$16,000	$4,000
Sue Adams		$10,000		$10,000	$10,000	$30,000	$18,000
Raisin Trade Assoc.			$20,000	$7,000		$27,000	$15,000
Total. Add the items in column (g). Enter the total here and on Part II, column (f), line 5							$127,000

Line 8. Include the gross income from interest, dividends, payments with respect to securities loans (section 512(a)(5)), rents, royalties, and income from similar sources. Don't include on this line payments that result from activities of the organization that further its exempt purpose. Instead, report these amounts on line 12.

Line 9. Enter the organization's net income from conducting **unrelated business** activities, whether or not the activities are regularly conducted as a trade or business. See sections 512 and 513 and the applicable regulations. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business.

When calculating unrelated business taxable income (UBTI) for this purpose, an exempt organization with more than one unrelated trade or business may use either its UBTI calculated under section 512(a)(6) or its UBTI calculated in the aggregate. If a net loss results, enter "0" on this line.

Line 10. Include all support as defined in section 509(d) that isn't included elsewhere in *Part II*. Explain in *Part VI* the nature and source of each amount reported. Don't include gain or loss from amounts reportable on line 12 or from the sale of capital assets.

Line 12. Enter the total amount of gross receipts the organization received from related activities for all years reported in *Part II*. The organization won't be treated as meeting the section 170(b)(1)(A)(vi), 33 1/3% public support test or the 10%-facts-and-circumstances public support test, if almost all of its support consists of gross receipts from related activities and an insignificant amount of its support comes from **governmental units** and public **contributions**. See Regulations section 1.170A-9(f)(7)(iii).

Include on line 12 gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which isn't an unrelated trade or business (within the meaning of section 513). See section 509(d)(2). Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity. For example, include on this line gross receipts from:

- A trade or business in which substantially all work is performed by **volunteers** (such as book fairs and sales of gift wrap paper). See section 513(a)(1).
- A trade or business carried on by the organization primarily for the convenience of its members, students, patients, **officers**, or **employees**. See section 513(a)(2).
- A trade or business which is the selling of merchandise, substantially all of which the organization received as gifts or **contributions**. See section 513(a)(3).
- "Qualified public entertainment activities" or "qualified convention and trade show activities" of certain organizations. See section 513(d).
- Furnishing certain hospital services. See section 513(e).
- A trade or business consisting of conducting **bingo** games, but only if the conduct of such games is lawful. See section 513(f).
- Qualified pole rentals by a mutual or cooperative telephone or electric company. See section 513(g).
- The distribution of certain low-cost articles incidental to the solicitation of charitable contributions (except to the extent such gross receipts are properly treated as charitable contributions reportable on line 1 rather than as proceeds of a sale or exchange), and exchange and rental of members lists. See section 513(h).

Line 13. An organization that checks this box should stop here and shouldn't complete the rest of *Part II*. It shouldn't make a public support computation on line 14 or 15 or check any of the boxes on lines 16 through 18.

Example. An organization receives an exemption letter from the IRS that it is exempt from tax under section 501(c)(3) and qualifies as a public charity under section 170(b)(1)(A)(vi) effective on its date of incorporation. When the organization prepares *Part II* for each of its first 5 tax years as a section 501(c)(3) organization, it should check the box on line 13 and shouldn't complete the rest of *Part II*. When the organization prepares *Part II* for its sixth tax year and subsequent years, it shouldn't check the box on line 13 and should complete the rest of *Part II*.

TIP *An organization in its first 5 years as a section 501(c)(3) organization should make the public support computations on a copy of Schedule A (Form 990) that it keeps for itself. An organization should carefully monitor its public support on an ongoing basis to ensure that it will meet a public support test in the sixth year and succeeding years.*

Line 14. Round to the nearest hundredth decimal point in reporting the percentage of public support. For example, if the organization calculates its public support percentage as 58.3456%, this percentage would be rounded to 58.35% when reported on line 14.

Line 15. For 2022, enter the public support percentage from the 2021 Schedule A (Form 990), Part II, line 14. Round to the nearest hundredth decimal point in reporting the percentage of public support.

Line 16a. If the organization didn't check the box on line 13, and line 14 is 33 1/3% or more, **check the box on this line and don't complete the rest of *Part II***. The organization qualifies as a publicly supported organization for 2022 and 2023.

Line 16b. If the organization didn't check a box on line 13 or 16a, and line 15 is 33 1/3% or more, **check the box on this line and don't complete the rest of *Part II***. The organization qualifies as a publicly supported organization for 2022.

Line 17a. If the organization didn't check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the facts-and-circumstances test, **check the box on this line and don't complete the rest of *Part II***. The organization qualifies as a publicly supported organization for 2022 and 2023.

If this box is checked, explain in *Part VI* how the organization meets the facts-and-circumstances test in Regulations section 1.170A-9(f)(3). Include the following information.

- Explain whether the organization maintains a continuous and *bona fide* program for solicitation of funds from the general public, community, membership group involved, **governmental units**, or other **public charities**.
- List all other facts and circumstances, including the sources of support, whether the organization has a **governing body** that represents the broad interests of the public, and whether the organization generally provides facilities or services directly for the benefit of the general public on a continuing basis.
- If the organization is a membership organization, explain whether the solicitation for dues-paying members is designed to enroll a substantial number of persons from the community, whether dues for individual members have been fixed at rates designed to make membership available to a broad cross-section of the interested public, and whether the activities of the organization will likely appeal to persons having some broad common interest or purpose.

Line 17b. If the organization didn't check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the facts-and-circumstances test, **check the box on this line and don't complete the rest of *Part II***. The organization qualifies as a publicly supported organization for 2022. If this box is checked, explain in *Part VI* how the organization meets the facts-and-circumstances test in Regulations section 1.170A-9(f)(3). Include the same information identified in the instructions for *Line 17a*, earlier.

Line 18. If the organization didn't check a box on line 13, 16a, 16b, 17a, or 17b, it doesn't qualify as a publicly supported organization under section 170(b)(1)(A)(iv) or 170(b)(1)(A)(vi) for the 2022 tax year and should check the box on this line. If the organization doesn't qualify as a public charity under any of the boxes in Part I, lines 1 through 12, it is a private foundation as of the beginning of the 2022 tax year for filing purposes and shouldn't file Form 990, Form 990-EZ, or Schedule A (Form 990) for the 2022 tax year. Instead, the organization should file Form 990-PF and check *Initial return of a former public charity* on Form 990-PF, at the top of page 1.

TIP *If Form 990 or 990-EZ is for the organization's sixth tax year as a section 501(c)(3) organization, the organization should figure the public support percentage on its Form 990 or 990-EZ for its first 5 tax years before it checks the box on line 18. If its public support percentage for its first 5 tax years is 33 1/3% or more, or if it meets the 10%-facts-and-circumstances test for its first 5 tax years, it will qualify as a public charity for its sixth tax year. If the organization qualifies under the 10% test, explain in* Part VI.

TIP *If the organization doesn't qualify as a publicly supported organization under section 170(b)(1)(A)(vi), it can complete* Part III *to determine if it qualifies as a publicly supported organization under section 509(a)(2).*

Part III. Support Schedule for Organizations Described in Section 509(a)(2)

TIP *If an organization checked the box in* Part I*, for line 10, it should complete* Part III *and insert the appropriate dollar amounts. Don't leave* Part III *blank or report only zeros if the organization had any support during the period. If the organization checks the box in* Part III*, for line 14, it should stop there and not complete the rest of* Part III*.*

TIP *If the organization checked the box in* Part I*, for line 10, and also checks the box in* Part III*, for line 20, the organization should complete* Part II *to determine if it qualifies as a publicly supported organization under section 170(b)(1)(A)(vi). If it does qualify, the organization should instead check the box in* Part I*, for line 5, 7, or 8, whichever applies.*

Public Support Test. For an organization to qualify as a publicly supported organization under section 509(a)(2):

- More than 33 1/3% of its support normally must come from gifts, grants, **contributions**, membership fees, and gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in an activity which isn't an **unrelated trade or business** under section 513; and
- No more than 33 1/3% of its support normally must come from gross investment income and net **unrelated business income** (less section 511 tax) from businesses acquired by the organization after June 30, 1975.

Public support is measured using a 5-year computation period that includes the current and 4 prior tax years (including short years). If the organization's current tax year or any of its 4 prior tax years were short years, explain in *Part VI*.

In *Part III*, if the organization wasn't a section 501(c)(3) organization for the entire 5-year period, report amounts only for the years the organization was a section 501(c)(3) organization.

Line 1. Don't include any "unusual grants." See *Unusual grants*, later. Include membership fees only to the extent to which the fees are payments to provide support for the organization rather than to purchase admissions, merchandise, services, or the use of facilities. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity, include the membership fees on line 2. See Regulations section 1.509(a)-3(h). To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that isn't an **unrelated business** under section 513, report the membership fees on line 3. To the extent that the membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business, report the net amount either on line 10b or 11, as appropriate.

Noncash contributions. Use any reasonable method to determine the value of noncash contributions reported on line 1.

Don't report any donations of services (such as the value of donated advertising space or broadcast air time) or donations of use of materials, equipment, or facilities, on line 1 as gifts, grants, or contributions. Donated services and facilities from a **governmental unit** are reported on line 5.

Loss on uncollectible pledge. If an organization records a loss on an uncollectible pledge that it reported on a prior year's Schedule A (Form 990), it should deduct that loss from the contribution amount for the year in which it originally counted that contribution as revenue. For example, if in the prior tax year the organization reported a pledged contribution with a then-present value of $50,000 in Part III, line 1, column (e), but learned during the current tax year that it wouldn't receive any of that pledged contribution, it should deduct the $50,000 from the amount reported in Part III, line 1, column (d), for the prior tax year.

Support from a governmental unit. Include on line 1 support received from a **governmental unit**. This includes **contributions**, but not gross receipts from exercising or performing the organization's tax-exempt purpose or function, which should be reported on line 2. Contributions are sometimes difficult to distinguish from such gross receipts—the label on the agreement isn't controlling. An amount received from a governmental unit is treated as gross receipts from exercising or performing the organization's tax-exempt purpose or function if the purpose of the payment is primarily to serve the direct and immediate needs of the payor governmental unit. An amount is treated as a contribution if the purpose of the payment is primarily to provide a direct benefit to the public. For example, if a state government agency pays an organization to operate an institute to train agency employees in the principles of management and administration, the funds received should be included on line 2 as gross receipts. See Regulations section 1.509(a)-3(g). Refer to the instructions for Form 990, Part VIII, lines 1e and 2, for more examples addressing the distinction between government payments that are contributions and government payments that are gross receipts from activities related to the organization's tax-exempt purpose or function. Medicare and Medicaid payments are treated as gross receipts from patients rather than as contributions from the government payor for purposes of the public support test. See Rev. Rul. 83-153, 1983-2 C.B. 48.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established the Paycheck Protection Program (PPP) to provide loans to small businesses as a direct incentive to keep their workers on the payroll. The loans are forgiven if all employee retention criteria are met and the funds are used for eligible expenses. Amounts of PPP loans that are forgiven may be reported on line 1 as contributions from a governmental unit in the tax year when the amounts are forgiven or at such other time as provided in Rev. Proc. 2021-48, 2021-49 I.R.B. 835.

Unusual grants. Unusual grants are generally substantial **contributions** and bequests from disinterested persons and are:

1. Attracted because of the organization's publicly supported nature,
2. Unusual and unexpected because of the amount, and
3. Large enough to endanger the organization's status as normally meeting the 33$^{1}/_{3}$% public support test.

For a list of other factors to be considered in determining whether a grant is an unusual grant, see Regulations section 1.509(a)-3(c)(4).

An unusual grant is excluded even if the organization receives or accrues the funds over a period of years.

Don't report gross investment income items as unusual grants. Instead, include all investment income on line 10a.

See Rev. Rul. 76-440, 1976-2 C.B. 58; Regulations section 1.170A-9(f)(6)(ii); and Regulations sections 1.509(a)-3(c)(3) and 1.509(a)-3(c)(4) for details about unusual grants.

Include in ***Part VI*** a list showing the amount, but not the grantor, of each unusual grant actually received each year (if the cash accounting method is used) or accrued each year (if the accrual accounting method is used).

Don't include the names of the grantors because Part VI *will be made available for public inspection.*

Unusual grants recordkeeping. An organization that received any unusual grants during the 5-year period, should also keep for its records a list showing, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the grant. If the organization used the cash method for the applicable year, show only amounts the organization actually received during that year. If the organization used the accrual method for the applicable year, show only amounts the organization accrued for that year. An example of this list is given below.

Don't file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 7a. Example—List of amounts received from disqualified persons

Disqualified Person	(a) 2018	(b) 2019	(c) 2020	(d) 2021	(e) 2022	(f) Total
David Smith	$7,000	$6,000			$2,000	$15,000
Anne Parker			$5,000	$7,000	$4,000	$16,000
Total	$7,000	$6,000	$5,000	$7,000	$6,000	$31,000

Line 1. Example—List of unusual grants

Year ▶ **2022**	**Description**
Name ▶ Mr. Distinguished Donor	Undeveloped land
Date of Grant ▶ January 15, 2022	
Amount of Grant ▶ $600,000	

Conservation easements and qualified conservation contributions. The organization must report any qualified conservation contributions and contributions of conservation easements consistently with how it reports revenue from such contributions in its books, records, and financial statements and in Form 990, *Part VIII, Statement of Revenue*.

Reporting contributions not reported as revenue. If the organization reports any **contributions** on Schedule A (Form 990), Part III, line 1, that it doesn't report on Form 990, as revenue in Part VIII or as assets in Part X, or as revenue or assets on Form 990-EZ, explain in *Part VI* the basis for characterizing such transfers as contributions but not as revenue or assets. For example, if an organization is a community foundation that receives and holds a cash transfer for another tax-exempt organization and reports contributions of such property on Schedule A (Form 990), Part III, line 1, without reporting it on Form 990, as revenue in Part VIII or assets in Part X, explain the basis for characterizing the property as contributions but not as revenue or assets.

Line 2. Include gross receipts from admissions, merchandise sold, services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose (such as charitable, educational, etc.).

To the extent that membership fees are payments to purchase admissions, merchandise, services, or the use of facilities in a related activity, include the membership fees on this line 2. See Regulations section 1.509(a)-3(h).

Line 3. Include gross receipts from activities that aren't an unrelated trade or business under section 513, such as:

- A trade or business in which substantially all work is performed by **volunteers** (such as book fairs and sales of gift wrap paper). See section 513(a)(1).
- A trade or business carried on by the organization primarily for the convenience of its members, students, patients, **officers**, or **employees**. See section 513(a)(2).
- A trade or business that is the selling of merchandise, substantially all of which the organization received as gifts or **contributions**. See section 513(a)(3).
- "Qualified public entertainment activities" or "qualified convention and trade show activities" of certain organizations. See section 513(d).
- Furnishing certain **hospital** services. See section 513(e).
- A trade or business consisting of conducting **bingo** games, but only if the conduct of such games is lawful. See section 513(f).
- Qualified pole rentals by a mutual or cooperative telephone or electric company. See section 513(g).
- The distribution of certain low-cost articles incidental to the solicitation of charitable contributions (except to the extent such gross receipts are properly treated as charitable contributions reportable on line 1 rather than as proceeds of a sale or exchange), and exchange and rental of members lists. See section 513(h).

While the activity of soliciting and receiving qualified sponsorship payments is also excluded from unrelated business (see section 513(i)), the qualified sponsorship payments themselves are treated as charitable contributions reportable on line 1.

Line 4. Enter tax revenue levied for the organization's benefit by a **governmental unit** and either paid to the organization or expended on its behalf. Report this amount whether or not the organization includes this amount as revenue on its **financial statements** or elsewhere on Form 990 or 990-EZ.

Line 5. Enter the value of services or facilities furnished by a governmental unit to the organization without charge. Don't include the value of services or facilities generally furnished to the public without charge. For example, include the fair rental value of office space furnished by a governmental unit to the organization without charge, but only if the governmental unit doesn't generally furnish similar office space to the public without charge. Report these amounts whether or not the organization includes these amounts as revenue on its financial statements or elsewhere on Form 990 or 990-EZ.

Line 7a. Enter the amounts that are included on lines 1, 2, and 3 that the organization received from disqualified persons. See the definition of **disqualified person** in the *Glossary* of the Instructions for Form 990.

For amounts included on lines 1, 2, and 3 that were received from a disqualified person, the organization should keep for its records a list showing the name of, and total amounts received in each year from, each disqualified person. Enter the total of such amounts for each year on line 7a. See an example of this list above.

Don't file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 7b. For any gross receipts included on lines 2 and 3 from related activities received from a person or from a bureau or similar agency of a **governmental unit**, other than from a **disqualified person**, that exceed the greater of $5,000 or 1% of the amount on line 13 for the applicable year, enter the excess on line 7b. The organization should

Line 7b. Example—List of amounts received from other than disqualified persons Year 2022

(a) Name	(b) Amount received in 2022	(c) 1% of amount on line 13 in 2022	(d) Enter the larger of column (c) or $5,000	(e) 2022 excess (column (b) minus column (d))
Word Processing, Inc.	$25,000	$2,000	$5,000	$20,000
Enter on Schedule A (Form 990), column (e), line 7b				$20,000

keep for its records a list showing, for each year, the name of the person or government agency, the amount received during the applicable year, the larger of $5,000 or 1% of the amount on line 13 for the applicable year, and the excess, if any. See an example of this list above.

Don't file this list with the organization's Form 990 or 990-EZ because it may be made available for public inspection.

Line 10a. Include the gross income from interest, dividends, payments received on securities loans (section 512(a)(5)), rents, royalties, and income from similar sources. Don't include on this line payments that result from activities of the organization that further its exempt purpose. Instead, report these amounts on line 2.

Line 10b. Enter the excess of the organization's **unrelated business taxable income** (UBTI) (as defined in section 512) from trades or businesses that it acquired or commenced after June 30, 1975, over the amount of tax imposed on this income under section 511. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an unrelated business activity that is a trade or business that was acquired or commenced after June 30, 1975.

When calculating UBTI for this purpose, an exempt organization with more than one unrelated trade or business may use either its UBTI calculated under section 512(a)(6) or its UBTI calculated in the aggregate.

Line 11. Enter the organization's net income from conducting **unrelated business** activities not included on line 10b, whether or not the activities are regularly conducted as a trade or business. Don't include net income from conducting trades or businesses acquired or commenced by the organization prior to July 1, 1975. See sections 512, 513, and 514, and the applicable regulations. Include membership fees to the extent they are payments to purchase admissions, merchandise, services, or the use of facilities in an activity that is an unrelated business not included on line 10b.

When calculating unrelated business taxable income (UBTI) for this purpose, an exempt organization with more than one unrelated trade or business may use either its UBTI calculated under section 512(a)(6) or its UBTI calculated in the aggregate. If a net loss results, enter "0" on this line.

Line 12. Include all support as defined in section 509(d) that isn't included elsewhere in *Part III*. Explain in *Part VI* the nature and source of each amount reported. Don't include gain or loss from the sale of capital assets.

Line 14. An organization that checks this box should stop here and shouldn't complete the rest of *Part III*. It shouldn't make a public support computation on line 15 or 16 or an investment income computation on line 17 or 18, or check any of the boxes for line 19 or 20.

Example. An organization receives an exemption letter from the IRS that it is exempt from tax under section 501(c)(3) and qualifies as a **public charity** under section 509(a)(2) effective on its date of incorporation. When the organization prepares *Part III* for its first 5 tax years, it should check the box on line 14 and shouldn't complete the rest of *Part III*. When the organization prepares *Part III* for its sixth tax year and subsequent years, it shouldn't check the box on line 14 and should complete the rest of *Part III*.

An organization in its first 5 years as a section 501(c)(3) organization should make the public support and investment income computations on a copy of Schedule A (Form 990) that it keeps for itself. An organization should carefully monitor its public support on an ongoing basis to ensure that it will meet the public support tests in the sixth year and succeeding years.

Line 15. Round to the nearest hundredth decimal point in reporting the percentage of public support. For example, if the organization calculates its public support percentage as 58.3456%, this percentage would be rounded to 58.35% when reported on line 15.

Line 16. For 2022, enter the public support percentage from the 2021 Schedule A (Form 990), Part III, line 15. Round to the nearest hundredth decimal point in reporting the percentage of public support.

Line 17. Round to the nearest whole percentage.

Line 18. For 2022, enter the investment income percentage from the 2021 Schedule A (Form 990), Part III, line 17. Round to the nearest whole percentage.

Line 19a. If the organization didn't check the box on line 14, line 15 is more than 33$^1/_3$%, and line 17 isn't more than 33$^1/_3$%, **check the box on this line and don't complete the rest of this schedule**. The organization qualifies as a publicly supported organization for 2022 and 2023.

Line 19b. If the organization didn't check the box on line 14 or 19a, line 16 is more than 33$^1/_3$%, and line 18 isn't more than 33$^1/_3$%, **check the box on this line and don't complete the rest of this schedule**. The organization qualifies as a publicly supported organization for 2022.

Line 20. If the organization didn't check the box on line 14, 19a, or 19b, it doesn't qualify as a publicly supported organization under section 509(a)(2) for the 2022 **tax year** and should check the box on this line. If the organization doesn't qualify as a public charity under any of the boxes on Schedule A (Form 990), Part I, lines 1 through 12, it is a private foundation for filing purposes as of the beginning of the tax year and shouldn't file Form 990, Form 990-EZ, or Schedule A (Form 990) for the 2022 tax year. Instead, the

organization should file Form 990-PF, and check *Initial return of a former public charity* on Form 990-PF, at the top of page 1.

TIP *If Form 990 or 990-EZ is for the organization's sixth tax year as a section 501(c)(3) organization and it checked the box on line 20, it should figure the public support percentage and the investment income percentage on its Form 990 for its first 5 tax years. If its public support percentage for its first 5 tax years is more than 33 1/3% and the investment income percentage for its first 5 tax years isn't more than 33 1/3%, it will qualify as a public charity for its sixth tax year. If the organization qualifies in this manner, explain in* Part VI.

TIP *If the organization doesn't qualify as a publicly supported organization under section 509(a)(2), it can complete* Part II *to determine if the organization qualifies as a publicly supported organization under section 170(b)(1)(A)(vi).*

Part IV. Supporting Organizations

Complete the sections of *Part IV* that correspond below with the type of supporting organization indicated on line 12a, 12b, 12c, or 12d of *Part I*.

- Type I: Sections A and B;
- Type II: Sections A and C;
- Type III Functionally Integrated: Sections A, D, and E; and
- Type III Non-Functionally Integrated: Sections A and D, and *Part V*.

Section A. All Supporting Organizations

Line 1. The organization's articles of incorporation or trust instrument must designate the publicly supported organization(s) on whose behalf the supporting organization is operated. The articles of a Type I or Type II supporting organization may designate its supported organization(s) either by class or purpose or by name. The articles of a Type III supporting organization must designate the supported organization(s) by name, unless a historic and continuing relationship exists between the organizations.

Check "Yes" only if the organization supports no organization other than those listed by name in its governing instrument. If the organization supports any organization not specifically listed, check "No" and describe in *Part VI* how the supported organizations are designated. If designated by class or purpose, describe the class or purpose. If the organization and its supported organization(s) have a historic and continuing relationship, explain that relationship. If support of one or more organizations is subject to certain future contingencies, explain those contingencies, and explain what organizations will be supported or benefited if those contingencies occur.

Line 2. If the organization supported any domestic or foreign organization (other than an organization described in section 501(c)(4), (5), or (6)) that didn't have an IRS determination of status under section 509(a)(1) or (2), check "Yes" and explain in *Part VI* how the organization determined that the supported organization was described in section 509(a)(1) or (2) and why the supported organization doesn't have such an IRS determination (for example, because it has applied for but not yet received such a determination, or it isn't required to obtain recognition of its public charity status because it is a church, a state university, or described in section 4948(b)).

Line 3a. A supporting organization may support an organization described in section 501(c)(4), (5), or (6), if the supported organization satisfies the public support tests applicable to a section 509(a)(2) organization. See Regulations section 1.509(a)-4(k) and the instructions for *Part III.* If the organization supports a section 501(c)(4), (5), or (6) organization, check "Yes" for line 3a.

Line 3b. If the organization confirmed that the supported organization qualified under section 501(c)(4), (5), or (6) and met the section 509(a)(2) public support test for its most recent tax year, check "Yes" and describe in *Part VI* how the organization made this determination. For example, the organization may ask its section 501(c)(4), (5), or (6) supported organization to furnish a copy of its IRS determination letter and to complete annually a *pro forma* Schedule A (Form 990), *Part III*, and keep the letter and support calculation in the supporting organization's files.

If the supporting organization doesn't annually confirm that its supported organization satisfies the section 509(a)(2) public support test, it must explain in *Part VI* how it knows that the supported organization would've been described in section 509(a)(2) if it were described in section 501(c)(3) during the tax year.

Line 3c. Support given to a supported section 501(c)(4), (5), or (6) organization must be used solely for charitable purposes. If the supporting organization has put into place measures to ensure that such support is used solely for charitable purposes, check "Yes" and describe those measures in *Part VI*. If not, check "No" and describe in *Part VI* how the supporting organization ensured during the tax year that its assets were used solely for charitable purposes.

Line 4a. A supporting organization can't qualify for Type III status in the tax year if any supported organization wasn't organized in the United States.

Lines 4b and 4c. A supporting organization must exercise control and discretion over funds granted to an organization that isn't exempt under section 501(c)(3). See Rev. Rul. 68-489, 1968-2 C.B. 210. Also, a domestic charity must generally exercise control and discretion over funds granted to a foreign organization. See Rev. Rul. 63-252, 1963-2 C.B. 101, and Rev. Rul. 66-79, 1966-1 C.B. 48.

Explain in *Part VI* how the organization retained such control and discretion despite being controlled or supervised by or in connection with such foreign supported organization(s). Also, explain what controls the organization used to ensure that all support to the foreign supported organization(s) was used exclusively for charitable, educational, etc., purposes described in section 170(c)(2)(B) if the foreign supported organization doesn't have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2).

Line 5. Supporting organizations may add, substitute, or remove supported organizations only in certain limited situations. See Regulations section 1.509(a)-4(d). Generally, a Type I or Type II supporting organization may add or substitute particular supported organizations within the class or classes designated in its articles, but may not add or substitute supported organizations outside of the designated class(es). A Type III supporting organization, which must specify its supported organizations by name, may only substitute supported organizations if such substitution is conditioned upon the occurrence of an event that is beyond the control of the supporting organization (such as a

supported organization's lapse into private foundation status).

If the organization has added, substituted, or removed any supported organization during the tax year, check "Yes" and provide detail in *Part VI*, including (i) the names and EINs of the organizations added, substituted, or removed; (ii) the reasons for each addition, substitution, or removal; (iii) the authority under the organization's organizing document for each addition, substitution, or removal; and (iv) an explanation of how the action was accomplished (such as by amendment to the organizing document substituting a new supported organization).

Line 6. A supporting organization must engage solely in activities that support or benefit its supported organization(s). In addition to making grants and providing services and facilities directly to its supported organization(s), a supporting organization may also generally make grants or provide services or facilities to (1) individual members of the charitable class benefited by its supported organization(s) or (2) other supporting organizations that also support or benefit its supported organization(s). See Regulations section 1.509(a)-4(e). If the organization made any grants or provided any benefits to any other organization or individual, check "Yes" and provide detail in *Part VI*.

Lines 7 and 8. Under section 4958(c)(3), any grant, loan, compensation, or other similar payment provided by a supporting organization to a substantial contributor (defined in section 4958(c)(3)(C)), to a family member (defined in section 4958(f)(4)), and to a **35% controlled entity** of such persons, is considered a *per se* excess benefit in its entirety, regardless of the fairness or reasonableness of the payment, and is subject to tax under section 4958(a). The same is true of any loan by a supporting organization to a **disqualified person** under section 4958 (other than loans to certain exempt organizations). If the organization made any such payment or loan during the tax year, check "Yes" and report the transaction on Schedule L (Form 990), Transactions With Interested Persons, Part I. For more information on excess benefit transactions generally, see the Instructions for Schedule L (Form 990).

Line 9. A supporting organization may not be controlled by **disqualified persons**, as defined in section 4946. Section 509(a)(1) or (2) organizations, and foundation managers who are disqualified persons only as a result of being foundation managers, aren't treated as disqualified persons for this purpose. Impermissible control may be direct or indirect. If a disqualified person holds any of the interests described on line 9b or 9c, or derives personal benefit from any such assets, provide detail in *Part VI.*

Line 10. Under section 4943(f), a Type II supporting organization that accepts a contribution from a person who controls the governing body of a supported organization (or from a family member of such person, or from a **35% controlled entity** of such person) is subject to the excess business holdings tax under section 4943. All Type III non-functionally integrated supporting organizations are also generally subject to the tax. For more information about excess business holdings, see the Instructions for Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

Line 11. Section 509(f)(2) prohibits Type I and Type III supporting organizations from accepting a gift or contribution from certain persons associated with a supported organization of such supporting organization. Specifically, if a Type I or Type III supporting organization accepts a contribution after August 16, 2006, from a person who controls the governing body of a supported organization (or from a family member of such person, or from a **35% controlled entity** of such person), then the supporting organization loses its status as a supporting organization. Such supporting organization must file Form 990-PF unless it qualifies as a public charity under section 509(a)(1) or (2).

Section B. Type I Supporting Organizations

Line 1. A Type I supporting organization must be operated, supervised, or controlled by one or more of its supported organizations (the "controlling supported organizations"). This means that the controlling supported organizations must have a substantial degree of direction over the policies, programs, and activities of the supporting organization, and the supporting organization in turn must be responsive to the needs or demands of the controlling supported organizations, and must constitute an integral part of, or maintain a significant involvement in, the operations of the controlling supported organizations. This relationship is most clearly established when one or more supported organizations (through their officers, directors, trustees, or membership) have the unconditional power to remove and replace at least a majority of the supporting organization's directors or trustees at any time. The relationship is also commonly established when one or more supported organizations have the power to appoint or elect at least a majority of the supporting organization's directors or trustees at regular intervals. However, there may be other ways to establish this relationship. If the organization relies on other ways to establish the relationship, check "No" and describe in *Part VI* how the necessary relationship is established.

Line 2. The supporting organization may benefit organizations that don't participate in the control relationship described on line 1, but only if such activity carries out the purposes of the controlling supported organizations.

Section C. Type II Supporting Organizations

Line 1. A Type II supporting organization must be supervised or controlled in connection with its supported organization(s). This means that there must be common supervision or control by the persons supervising or controlling both the supporting organization and the supported organization(s) to ensure that the supporting organization will be responsive to the needs and requirements of the supported organization(s). This relationship is most clearly established when the same persons serve as all or a majority of the directors or trustees of all of the organizations involved. However, there may be other ways to establish this relationship. If the organization relies on other than overlap of at least a majority of directors or trustees of all organizations involved, check "No" and describe in *Part VI* how the necessary relationship is established.

Section D. All Type III Supporting Organizations

Line 1. A Type III supporting organization must supply annually a written notice, addressed to a principal officer of each supported organization, which includes the following.

1. A description of the type and amount of all support the supporting organization provided to the supported organization during the supporting organization's tax year preceding the tax year in which the notice is provided.

2. A copy of the supporting organization's most recently filed Form 990 (the supporting organization may redact the names and addresses of contributors).

3. A copy of the supporting organization's updated governing documents (including articles of organization, bylaws, and any amendments), to the extent not previously provided.

See Regulations section 1.509(a)-4(i)(2). The notice must be submitted by the last day of the fifth month of the supporting organization's tax year being reported (May 31 for calendar-year filers). An organization that doesn't timely submit the required information in the required manner doesn't qualify as a Type III supporting organization for the tax year in which it fails to timely submit.

State whether during the tax year being reported the organization provided a timely notice with the required information in the required manner.

Lines 2 and 3. A Type III supporting organization must be responsive to the needs or demands of a supported organization. An organization meets this responsiveness test with regard to a particular supported organization if:

1. The supported organization has an adequate relationship with the supporting organization because:

   a. The supported organization regularly appoints or elects (whether or not during the tax year) at least one officer, director, or trustee of the supporting organization;
   b. At least one member of the governing body of the supported organization also serves as an officer, director, or trustee of the supporting organization; or
   c. The officers, directors, or trustees of the supporting organization and of the supported organization maintain a close and continuous working relationship; and

2. Because of this relationship, the supported organization has a *significant voice* in the supporting organization's investment policies, timing of grants, manner of making grants, selection of grant recipients, and other use of income or assets (the "significant voice" test).

In the case of a supporting organization that supported a supported organization before November 20, 1970, additional facts and circumstances such as a historic and continuing relationship between the organizations may also be taken into account in considering the responsiveness test.

If the organization had an adequate relationship with at least one supported organization only by means of a "close and continuous working relationship" or a "historic and continuing relationship," then in *Part VI* explain the relationship and how it was maintained. Also, all Type III supporting organizations that claim to meet the significant voice test must describe in *Part VI* the voice or role of the supported organization(s) in directing the supporting organization's use of its income or assets.

Section E. Type III Functionally Integrated Supporting Organizations

Line 1. A Type III supporting organization must constitute an integral part of one or more of its supported organizations by maintaining significant involvement in its operations and providing support on which the supported organization is dependent. To satisfy this requirement as a Type III functionally integrated supporting organization, an organization may (a) pass an Activities Test (see the instructions for *Line 2*, later), (b) be the parent of its supported organizations (see the instructions for *Line 3*, later), or (c) support one or more governmental entities (see *Support of governmental entity*, later). If the organization can't satisfy any of these tests, it may still qualify as a Type III non-functionally integrated supporting organization (see *Part V*, later).

Support of governmental entity. A Type III supporting organization meets the integral part test for a functionally integrated supporting organization if it (1) supports at least one supported organization that is a governmental entity to which the supporting organization is responsive (as discussed in the instructions for Section D, *Lines 2 and 3*, earlier), and (2) engages in activities for or on behalf of such governmental supported organization that performs the functions or carries out the purposes of such governmental supported organization and that, but for the involvement of the supporting organization, would normally be engaged in by the governmental supported organization itself. See Notice 2014-4. A Type III supporting organization that claims to meet the integral part test for a functionally integrated supporting organization by supporting a governmental entity must describe in *Part VI* how it met these requirements for the tax year.

Line 2. Activities Test. To meet the activities test of a Type III functionally integrated supporting organization, substantially all of the supporting organization's activities must (1) *directly further* the exempt purposes of the supported organization(s) to which the supporting organization was responsive, and (2) be activities that such supported organization(s) would normally be engaged in *but for* the supporting organization's involvement.

Direct furtherance. Substantially all of the supporting organization's activities must be "direct furtherance" activities. Direct furtherance activities are conducted by the supporting organization itself, rather than by a supported organization. Holding title to exempt-use assets and managing them are direct furtherance activities. Fundraising, investing and managing non-exempt-use assets, grant-making to organizations, and grant-making to individuals (unless it meets the requirements of Regulations section 1.509(a)-4(i)(4)(ii)(D)) aren't direct furtherance activities.

But for. In addition, the direct furtherance activities must be activities in which, but for the supporting organization's involvement, the supported organization would normally be involved.

Examples include holding and managing facilities used by a church for its religious purposes, operating a food pantry for a group of churches that normally would operate food pantries themselves, and maintaining local parks for a community foundation that otherwise would maintain those parks. See Regulations section 1.509(a)-4(i)(4)(v) for more detailed examples.

Line 3. Parent of Supported Organizations. To qualify as the parent of all the supported organizations, a supporting organization must (1) have the power to appoint or elect, directly or indirectly, a majority of the officers, directors, or trustees of every supported organization; and (2) exercise a substantial degree of direction over the policies, programs, and activities of every supported organization.

Part V. Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

A Type III supporting organization (other than a Type III functionally integrated supporting organization) must generally satisfy a distribution requirement described in Regulations section 1.509(a)-4(i)(5)(ii) along with an attentiveness requirement described in Regulations section 1.509(a)-4(i)(5)(iii) to meet the integral part test for a Type III relationship. To satisfy the distribution requirement, the organization must make a minimum amount (distributable amount) of distributions to or for the use of one or more supported organizations. Carryovers of excess distributions from certain prior years may be used for this purpose.

Sections A through E of *Part V* show whether the organization has satisfied its distribution and attentiveness requirements for its tax year. Sections A and B determine the organization's adjusted net income and minimum asset amount. These amounts are used in determining the distributable amount in Section C. Section D determines the organization's distributions that count toward the distributable amount and determines whether the attentiveness requirement is met. Section E determines whether the distributable amount is satisfied through current distributions and prior-year carryovers, and determines carryovers to future years.

A trust is excepted from the general distribution and attentiveness requirements (and need not complete Sections A through E) if on November 20, 1970, it met and continues to meet the requirements set forth in Regulations section 1.509(a)-4(i)(9). A trust that claims this status by checking the box on line 1 at the beginning of *Part V* must explain in *Part VI* how it meets each of the requirements. A trust that has obtained a ruling from the IRS on this issue must so indicate in *Part VI*.

Section A. Adjusted Net Income

The principles of section 4942(f) and Regulations section 53.4942(a)-2(d) apply in determining adjusted net income. See Regulations section 1.509(a)-4(i)(5)(ii)(B).

Prior and current year columns. The organization's adjusted net income for the prior tax year is used in determining the organization's distributable amount for the current tax year. The form also allows for reporting the organization's adjusted net income for the current tax year for use in next year's calculations; this reporting is optional but may be helpful if the organization anticipates being required to complete *Part V* next year.

Definition. Adjusted net income is gross income for the tax year less deductions allowable to a corporation subject to tax under section 11, with certain modifications discussed in the line instructions later. In computing gross income and deductions, the principles of the income tax provisions of the Code apply (except to the extent inconsistent with section 4942 or the underlying regulations), but exclusions, deductions, and credits aren't allowed unless expressly provided for under section 4942 or the underlying regulations. See Regulations section 53.4942(a)-2(d)(1).

Line 1. Report the organization's net short-term capital gain, if any. Long-term capital gains and losses from the sale or disposition of property aren't taken into account in determining adjusted net income (unless reportable on line 2 as recoveries of prior-year distributions). Net short-term capital loss can't be carried back or forward to other tax years. Amounts treated as long-term capital gains include capital gain dividends from a regulated investment company and net section 1231 gains (but net section 1231 losses are treated as ordinary losses and thus taken into account). If the fair market value of property distributed for charitable purposes exceeds adjusted basis, the excess isn't deemed includible in income.

Adjusted basis. The adjusted basis for purposes of determining gain from the sale or other disposition of property is the greater of:

1. The fair market value of such property on August 17, 2006, plus or minus all adjustments thereafter and before the date of disposition under sections 1011–1023, if the property was held continuously from August 17, 2006, to the date of disposition.

2. The adjusted basis under sections 1011–1023, without regard to section 362(c). If assets acquired before August 17, 2006, were subject to depreciation or depletion, to determine the adjustments to basis between the date of acquisition and August 17, 2006, straight-line depreciation or cost depletion must be taken into account. Any other adjustments that would've been made during such period (such as a change in useful life based upon additional data or a change in facts) must also be taken into account.

The adjusted basis for purposes of determining loss is only the amount described in item 2 above.

Line 2. Recoveries of prior-year distributions include the following.

- Repayments received of amounts which were taken into account as a distribution counting toward the distribution requirement in a prior tax year.
- Proceeds from the sale or disposition of property to the extent that acquisition of such property was taken into account as a distribution counting toward the distribution requirement in a prior tax year.
- An amount set aside and taken into account as a distribution counting toward the distribution requirement in a prior tax year to the extent it is determined that such amount isn't necessary for the purposes for which it was set aside.

Line 3. Report all other gross income. Gross income includes all amounts derived from, or in connection with, property held by the organization (except as specified otherwise in the instructions for *Line 1*). Include income from any related or unrelated trade or business. Include income from tax-exempt bonds. Don't include the following.

- Gifts, grants, or contributions received.
- Long-term capital gains or losses or net short-term capital losses.
- Income received from an estate, unless the estate is considered terminated due to a prolonged period of administration.
- Distributions from a trust created and funded by another person.
- Certain amounts received by an organization in the redemption of stock in a corporate disqualified person in order to avoid excess business holdings, which are treated as not essentially equivalent to a dividend under section 302(b)(1) (and thus as amounts received in exchange for the stock, giving rise to long-term capital gain or loss) if the conditions of Regulations section 53.4942(a)-2(d)(2)(iv) are met.

Line 5. The deduction for depreciation under section 167 is allowed, but only on the basis of the straight-line method. The deduction for depletion under section 611 is allowed, but without regard to section 613 (percentage depletion).

Lines 6 and 7. No deduction is allowed except ordinary and necessary expenses paid or incurred for the production or collection of gross income, or for the management, conservation, or maintenance of property held for the production of income. Such expenses may include operating expenses such as compensation of officers and employees, interest, rent, and taxes. Where only a portion of property produces income (or is held for the production of income) and the remainder is used for charitable purposes, the expenses must be apportioned between exempt and non-exempt use on a reasonable basis.

Don't deduct the following.

- Net losses from a related business or other charitable activity that produces gross income (no deduction in excess of the income from such activity).
- Charitable contributions under section 170 or 642.
- Net operating loss carrybacks and carryovers under section 172.
- Dividends under section 241 and the sections following it (the dividends-received deductions for corporations).
- Net capital losses (short-term or long-term).

Expenses and interest relating to tax-exempt income under section 265 are deductible.

Section B. Minimum Asset Amount

The rules for determining the supporting organization's minimum asset amount are set forth in Regulations sections 1.509(a)-4(i)(5)(ii)(C) and 1.509(a)-4(i)(8), using valuation methods described in Regulations section 53.4942(a)-2(c).

Prior and current year columns. The organization's minimum asset amount for the prior tax year is used in determining the organization's distributable amount for the current tax year. The form also allows for reporting the organization's minimum asset amount for the current tax year for use in next year's calculations; this reporting is optional but may be helpful if the organization anticipates being required to complete *Part V* next year.

Definition. In figuring the minimum asset amount, include only assets of the supporting organization that aren't used or held for use by the supporting organization (or by a supported organization, if the supporting organization provides the asset free of charge or at nominal rent) to carry out the exempt purposes of the supported organization(s). Assets held for the production of income or for investment aren't considered to be used directly for charitable functions even though the income from the assets is used for charitable functions. It is a factual question whether an asset is held for the production of income or for investment rather than used or held for use directly by the supporting organization or a supported organization for charitable purposes. For example, an office building used to provide offices for employees engaged in managing endowment funds for the supporting organization or supported organization isn't considered an asset used for charitable purposes.

Dual-use property. When property is used for both charitable and other purposes, the property is considered used entirely for charitable purposes if 95% or more of its total use is for that purpose. If less than 95% of its total use is for charitable purposes, a reasonable allocation must be made between charitable and noncharitable use.

Excluded property. Certain assets (in addition to exempt-use assets) are excluded entirely from the computation of the minimum asset amount. These include charitable pledges and interests in an estate or trust (created and funded by another person) prior to distribution to the supporting organization.

Line 1a. Report on line 1a the average monthly fair market value of securities (such as common and preferred stock, bonds, and mutual fund shares) for which market quotations are readily available. A supporting organization may use any reasonable method to make this determination if consistently used. For example, a value for a particular month might be determined by the closing price on the first or last trading day of the month or an average of the closing prices on the first and last trading days of the month. Market quotations are considered readily available if a security is any of the following.

- Listed on the New York or American Stock Exchange or any city or regional exchange in which quotations appear on a daily basis, including foreign securities listed on a recognized foreign national or regional exchange;
- Regularly traded in the national or regional over-the-counter market for which published quotations are available; or
- Locally traded, for which quotations can be readily obtained from established brokerage firms.

If securities are held in trust for, or on behalf of, a supporting organization by a bank or other financial institution that values those securities periodically using a computer pricing system, the organization may use that system to determine the value of the securities. The system must be acceptable to the IRS for federal estate tax purposes.

Line 1b. Figure cash balances on a monthly basis by averaging the amount of cash on hand on the first and last days of each month. Include all cash balances and amounts, even if they may be used for charitable purposes (see the instructions for *Line 4*, later) or set aside and taken as a distribution (see the instructions for Section D, *Line 5*, later).

Line 1c. The fair market value of assets other than securities for which market quotations are readily available is determined annually except as described later. The valuation may be made by supporting organization employees or by any other person even if that person is a disqualified person. If the IRS accepts the valuation, it is valid only for the tax year for which it is made. A new valuation is required for the next tax year.

Valuation date. An asset required to be valued annually may be valued as of any day in the supporting organization's tax year, provided the organization values the asset as of that date in all tax years. However, a valuation of real estate determined on a 5-year basis by a certified, independent appraisal (discussed later) may be made as of any day in the first tax year of the organization to which the valuation applies.

Proration of value of assets held for part of year or in a short tax year. The value of an asset held less than a full tax year is prorated by multiplying the value of the asset by a fraction, of which the numerator is the number of days the organization held the asset during its tax year, and the denominator is 365 (366 if the tax year includes February 29). If the supporting organization has a short tax year, the value of all assets is accordingly prorated.

5-year valuation for real estate. A written, certified, and independent appraisal of the fair market value of any real estate, including any improvements, may be determined on a 5-year basis by a qualified person. The qualified person may not be a disqualified person with respect to the supporting organization or an employee of the supporting organization.

Commonly accepted valuation methods must be used in making the real estate appraisal. A valuation based on acceptable methods of valuing property for federal estate tax purposes will be considered acceptable.

The real estate appraisal must include a closing statement that, in the appraiser's opinion, the appraised assets were valued according to valuation principles regularly employed in making appraisals of such property, using all reasonable valuation methods. The supporting organization must keep a copy of the independent appraisal for its records. If a valuation is reasonable, the organization may use it for the tax year for which the valuation is made and for each of the 4 following tax years.

Any valuation of real estate by a certified independent appraisal may be replaced during the 5-year period by a subsequent 5-year certified independent appraisal or by an annual valuation, as described earlier. The most recent valuation should be used to figure the organization's minimum asset amount.

If the valuation is made according to the above rules, the IRS will continue to accept it during the 5-year period for which it applies even if the actual fair market value of the real estate changes during the period.

Line 1e. If the fair market value of any securities, real estate holdings, or other assets reported on lines 1a and 1c reflects a blockage discount, marketability discount, or other reduction from full fair market value because of the size of the asset holding or any other factor, enter on line 1e the aggregate amount of the discounts claimed. Provide an explanation in *Part VI* that includes the following information for each asset or group of assets involved.

1. A description of the asset or asset group (for example, 20,000 shares of XYZ, Inc., common stock);

2. For securities, the percentage of the total issued and outstanding securities of the same class that is represented by the organization's holding;

3. The fair market value of the asset or asset group before any claimed blockage discount or other reduction;

4. The amount of the discount claimed; and

5. An explanation of the reason for the discount.

In the case of securities, there are certain limitations on the size of the reduction in value that can be claimed. The organization may reduce the fair market value of securities only to the extent that it can establish that the securities could only be liquidated in a reasonable period of time at a price less than the fair market value because:

- The securities are such a large block that liquidation would depress the market,
- The securities are in a closely held corporation, or
- The sale would result in a forced or distress sale.

Any reduction in value of securities may not exceed 10% of the fair market value (determined without regard to any reduction in value).

Line 2. Enter the total acquisition indebtedness that applies to assets included on line 1 (prorated in the case of assets held for a portion of the year or in a short tax year). For details on acquisition indebtedness, see section 514(c)(1).

Line 4. Supporting organizations may exclude from the minimum asset amount the reasonable cash balances necessary to cover current administrative expenses and other normal and current disbursements directly connected with the charitable, educational, or other similar activities. The amount of cash that may be excluded is generally 1.5% of the fair market value of all assets (minus any acquisition indebtedness). However, if under the facts and circumstances an amount larger than the deemed amount is necessary to pay expenses and disbursements, then the organization may enter the larger amount instead (prorated in the case of a short tax year). If the organization uses a larger amount, explain why in *Part VI.*

Line 7. Enter the amount of recoveries (if any) reportable on Section A, line 2.

Section C. Distributable Amount

The organization's distributable amount for the current tax year is ordinarily the greater of:

1. 85% of its adjusted net income for the prior tax year or
2. Its minimum asset amount for the prior tax year,

less income taxes imposed on the organization during the prior tax year. See Regulations section 1.509(a)-4(i)(5)(ii)(B).

First tax year. The distributable amount for the first tax year that an organization is treated as a non-functionally integrated Type III supporting organization is zero rather than the amount as ordinarily determined. Such an organization should check the box on line 7. For purposes of determining whether the organization has an excess of distributions in its tax year that can be carried over to future years, the distributable amount as ordinarily determined applies to every non-functionally integrated Type III supporting organization (including an organization that checked the box on line 7 for the current year). The distributable amount as ordinarily determined is reported in Sections C and E.

Emergency temporary reduction. In cases of disaster or emergency, the IRS may provide for a temporary reduction in the distributable amount by publication in the Internal Revenue Bulletin. In these cases, the reduced amount should be reported on line 6 and the reduction noted in *Part VI.*

Section D. Distributions

Section D sets forth the supporting organization's distributions that count toward its distribution requirement, and determines whether the attentiveness requirement is met. The amount of a distribution made to a supported organization is the amount of cash or fair market value of property on the date of distribution. The organization must use the cash method of accounting for this purpose. See Regulations section 1.509(a)-4(i)(6).

Line 1. Report amounts paid to supported organizations to accomplish their exempt purposes. Distributions furthering the "exempt" purposes of supported organizations not described in section 501(c)(3) refer solely to distributions for section 501(c)(3) purposes.

Line 2. Report amounts paid to perform any activity that directly furthers exempt purposes of supported organizations and that would otherwise normally be engaged in by the supported organizations, but only to the extent that expenses

from the activity exceed income from the activity. See the Schedule A (Form 990), Part IV, Section E, *Line 2*, instructions on "direct furtherance" activities.

Line 3. Report reasonable and necessary administrative expenses paid to accomplish exempt purposes of supported organizations. Don't include expenses incurred in the production of investment income.

Line 4. Report amounts paid to acquire exempt-use assets. Such assets must be used (or held for use) to carry out the exempt purposes of the supported organizations. The assets may be used or held by either the supporting organization or one or more supported organizations; if the latter, the supporting organization must make the asset available to the supported organization(s) free of charge or for nominal rent. See Regulations section 53.4942(a)-2(c)(3) for further discussion of exempt-use assets.

Line 5. Report qualified amounts set aside for a specific project that accomplishes the exempt purposes of a supported organization to which the supporting organization is responsive. A qualified set-aside counts toward the distribution requirement in the tax year set aside but not again when paid.

Approval required. For each set-aside, a supporting organization must obtain the written approval of both the pertinent supported organization(s) and the IRS. The supporting organization must apply to the IRS for approval (using Form 8940) before the end of its tax year in which the amount is set aside. Explain in *Part VI* whether the organization has requested and obtained the necessary approvals for the set-aside. See Regulations section 1.509(a)-4(i)(6)(v) for more information.

Line 6. Report any other distributions not described above that the organization claims are for the use of its supported organizations, and describe such distributions in detail in *Part VI*.

Lines 8–10. Report on line 8 the amount of distributions reported on line 1 to supported organizations that met the attentiveness and responsiveness tests, discussed later, and provide in *Part VI* the supplemental information, discussed later.

A Type III non-functionally integrated supporting organization must distribute at least one-third of its distributable amount each tax year to one or more supported organizations that are "attentive" to its operations and to which the supporting organization is "responsive" (as described later); thus, the line 10 amount must be at least 0.333. Carryovers of excess distributions from prior years don't count toward the attentiveness requirement.

If the line 10 amount is less than one-third (that is, the amount of distributions to supported organizations that met both the attentiveness test and responsiveness test is less than one-third of the distributable amount), then the organization doesn't qualify as a Type III non-functionally integrated supporting organization for the tax year. See Regulations sections 1.509(a)-4(i)(5)(i) and (iii). If the organization doesn't otherwise qualify as a public charity, then the organization is a private foundation and must file Form 990-PF for the tax year.

Attentiveness test. A supported organization is "attentive" to the operations of a supporting organization if, during the tax year, at least one of the following requirements is satisfied.

1. The supporting organization distributes to the supported organization at least 10% of the supported organization's total support in its tax year ending before the beginning of the supporting organization's tax year. For example, if the supporting organization and the supported organization both use a calendar year, and the supported organization has total support of $X in a year, then the supporting organization's support in the following year must be at least 10% of $X. Where the supporting organization supports a particular department or school of a university, hospital, or church, the department's or school's total support is considered instead.

2. The amount of support received from the supporting organization is necessary to avoid the interruption of a particular function or activity of the supported organization.

3. The amount of support received from the supporting organization is a sufficient part of the supported organization's total support to ensure attentiveness, based on all pertinent facts, including the number of supported organizations, the length and nature of the relationship between the supporting organization and supported organization, and the purpose to which the funds are put. The attentiveness of a supported organization is normally influenced by the amounts received from the supporting organization, but evidence of actual attentiveness to the operations (including investments) of the supporting organization is of almost equal importance. Where the supporting organization supports a particular department or school of a university, hospital, or church, the department's or school's total support is considered instead of the supported organization's total support.

Amounts received from a supporting organization that are held in a donor-advised fund of the supported organization are disregarded in determining attentiveness.

See the examples in Regulations section 1.509(a)-4(i)(5)(iii)(D).

Responsiveness test. A supporting organization is "responsive" to the needs and demands of a supported organization if it meets the responsiveness test set forth in the instructions for Part IV, Section D, *Lines 2 and 3*, with respect to the supported organization.

Supplemental information required. In *Part VI*, identify each of the supported organizations listed in Part I, line 12g, column (i), that met both of the following conditions for the tax year.

1. The supporting organization was responsive to the supported organization, **and**

2. The supported organization was attentive to the supporting organization. With respect to each of the identified supported organizations, set forth the facts that show how both the attentiveness test and the responsiveness test were met by the supporting organization and the supported organization.

Section E. Distribution Allocations

Section E determines whether the distributable amount for the current tax year (and any underdistribution for reasonable cause in a prior year) is satisfied through current-year distributions and carryovers of prior-year excess distributions. Section E also determines carryovers of excess distributions to future years. Several lines in Section E aren't yet applicable during the phase-in period of the new regulations for Type III non-functionally integrated supporting organizations. Those lines are grayed out.

In applying distributions, there are three basic steps.

1. First, apply distributions to eliminate any underdistribution for reasonable cause in a prior tax year.

2. Second, apply distributions to satisfy the distributable amount for the current year.

3. Third, carry over to future years any remaining excess distributions.

Apply the oldest distributions first. Carryovers of excess distributions from prior years are always applied in full before current-year distributions (unlike the rules for qualifying distributions by private foundations), and older carryovers are applied before newer carryovers. Excess distributions of a given year can't be carried over for more than 5 years.

Example 1. X is a Type III non-functionally integrated supporting organization that for its tax year including December 28, 2019, and through its following 2020 tax year meets the requirements of Regulations section 1.509(a)-4(i)(3)(iii) as in effect prior to December 28, 2019. Under transition rules, X is deemed to meet its distribution requirement for 2020, but its distributable amount is calculated in the ordinary manner to determine its excess distributions. For 2020, X had a distributable amount, as ordinarily determined, of $80,000 and distributions of $100,000. Accordingly, X had excess distributions of $20,000. For 2021, X had a distributable amount of $95,000 and distributions of $85,000. X first applied its 2020 excess distributions carryover of $20,000 to the 2021 distributable amount of $95,000. Then, X applied $75,000 of its 2021 distributions of $85,000 to the remaining 2021 distributable amount. Accordingly, X has excess distributions of $10,000 from 2021 (2021 distributions of $85,000 minus $75,000 applied to the 2021 distributable amount), which it may carry over to 2022. For 2022, X has a distributable amount of $100,000 and distributions of $150,000. X applies the $10,000 excess distribution carryover from 2021 to the 2022 distributable amount. Then, X applies $90,000 of its 2022 distributions to the remaining 2022 distributable amount. Section E will show $0 carryovers for 2020 and 2021 (because the excess carryovers for each of those years were previously applied). In addition, Section E will show excess distributions of $60,000 in 2022 (2022 distributions of $150,000 minus $90,000 applied to the 2022 distributable amount), which it may carry over in the next 5 tax years until applied.

Example 2. Y is a Type III supporting organization that for its tax year including December 28, 2019, meets the requirements of Regulations section 1.509(a)-4(i)(3)(iii) as in effect prior to such date, but doesn't meet such requirements in its following 2020 tax year (because of underdistributions for which the prior regulation didn't expressly provide a reasonable cause exception). Therefore, Y didn't benefit from the transition rule for its 2020 tax year. Y's distributable amount was $120,000 for 2020. Y made distributions of that amount and had no excess distributions to carry over to 2021. Y calculated that its distributable amount was $150,000 for 2021 and made distributions of exactly that amount in 2021. Early in its 2022 tax year, Y discovers that its distributable amount for 2021 actually was $200,000. Within 180 days, Y makes a $110,000 distribution ($50,000 to cover the underdistribution for 2021 and $60,000 as part of its 2022 distributions). Later in the 2022 tax year, Y makes additional distributions totaling $200,000. Y's distributable amount in the 2022 tax year is $190,000. In its 2022 Form 990, Y claims reasonable cause for the 2021 underdistribution due to a clerical error. Under these circumstances, Y first applies $50,000 of its 2022 distributions of $310,000 to the 2021 underdistribution of $50,000 ($200,000 minus $150,000), then applies $190,000 of its remaining 2022 distributions of $260,000 ($310,000 minus $50,000) to satisfy its 2022 distributable amount. Y's remaining $70,000 of distributions in 2022 ($310,000, minus $50,000 allocated to 2021, and minus $190,000 allocable to 2022) are excess distributions that may be carried over to future years.

Line 1. Report the distributable amount for 2022 from Section C, line 6.

Line 2. An organization that is treated as a Type III non-functionally integrated supporting organization for the first time in its 2021 tax year will have a distributable amount of zero during the 2021 tax year.

If the organization had any underdistributions for a prior tax year (2020 or 2021), then it didn't qualify as a Type III non-functionally integrated supporting organization in that tax year and subsequent years (and would be classified as a private foundation unless it met the requirements of another public charity status) unless it met the requirements of the reasonable cause exception or the judicial proceeding exception discussed in the instructions for *Lines 5 and 6*, later. If the organization met either of these exceptions, explain in detail in *Part VI* how the organization met the requirements for the exception.

Line 3. On lines 3d and 3e, enter the amounts reported on lines 8d and 8e, respectively, from the organization's return for the 2021 tax year. The sum of the amounts on lines 3d and 3e is also reported on line 3f. The amount reported on line 3f is then applied in the following priority.

1. First to any prior-year underdistributions on line 3g,

2. Second (if any remaining amount) to the current-year distributable amount on line 3h, and

3. Third (if any remaining amount) on line 3j for carryover to future years.

Excess distributions can't be carried over for more than 5 tax years and thus are forfeited if not used in the fifth year of carryover. Such amounts are set forth on line 3i (not applicable to the 2022 return).

Line 4. Apply the current-year distributions (from Section D, line 7) in the same order of priority as described in the instructions for *Line 3* to any prior-year underdistributions (line 4a) and current-year distributable amount (line 4b) remaining after applying carryovers on line 3. Any remaining distributions are reported on line 4c for carryover to future years.

Lines 5 and 6. If the current-year distributable amount is greater than the sum of the excess distributions carryover from the prior year plus the current-year distributions, then the organization doesn't meet the distribution requirement and can't qualify as a Type III non-functionally integrated supporting organization for the tax year, unless an exception applies. If the organization doesn't qualify as a supporting organization or otherwise as a public charity for the tax year, then it is a private foundation and must file Form 990-PF for the tax year and subsequent years until private foundation status is terminated under section 507. If either the reasonable cause or judicial proceeding exception applies, then explain in detail in *Part VI* how the organization met the requirements for the exception.

Reasonable cause exception. An organization that fails to distribute its distributable amount won't be classified as a private foundation for the year of the failure if the organization establishes to the satisfaction of the IRS that:

1. The failure was due to unforeseen events or circumstances beyond its control, a clerical error, or an incorrect valuation of assets;

2. The failure was due to reasonable cause and not to willful neglect; and

3. The distribution requirement is met within 180 days after the organization is first able to distribute its distributable amount notwithstanding the unforeseen events or circumstances, or within 180 days after the clerical error or incorrect valuation was or should have been discovered.

Amounts paid to meet a distribution requirement of a prior tax year can't also be counted toward the distribution requirement for the tax year in which paid.

Judicial proceeding exception. An organization is excused from meeting the distribution requirements to the extent of a conflicting mandatory provision in its governing instrument, if a judicial proceeding is pending to reform a governing instrument that prohibits compliance, under the circumstances set forth in Regulations section 1.509(a)-4(i)(11)(ii)(E).

Lines 7 and 8. Enter on line 7 the prior-year carryover and the current-year distributions to the extent not applied to prior-year underdistributions and the current-year distributable amount (and not already carried over for 5 tax years). The organization may carry over these amounts to future years. Prior-year carryovers are applied before current-year distributions.

Part VI. Supplemental Information

Use *Part VI* to provide narrative information required by these instructions or to supplement responses to questions on Schedule A (Form 990). Identify the specific part and line number that the response supports, in the order in which they appear on Schedule A (Form 990). *Part VI* can be duplicated if more space is needed.

Don't include in Part VI *the names of any donors, grantors, or contributors because* Part VI *will be made available for public inspection.*

No substantive changes were made to Schedule B for 2022.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Schedule B (Form 990), such as legislation enacted after the schedule and its instructions were published, go to *www.irs.gov/Form990.*

Note: Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Reminders

Certain tax-exempt organizations are no longer required to report the names and addresses of their contributors on Schedule B (Form 990). However, these organizations must continue to keep this information in their books and records. Organizations described in section 501(c)(3) and section 527 are still required to report the names and addresses of their contributors on Schedule B. See Regulations section 1.6033-2 (T.D. 9898), 2020-25 I.R.B. 935, and *General Rule*, later.

Purpose of Schedule

Schedule B (Form 990) is used to provide information on contributions the organization reported on:

- Form 990, Return of Organization Exempt From Income Tax, Part VIII, *Statement of Revenue,* line 1;
- Form 990-EZ, Short Form Return of Organization Exempt From Income Tax, Part I, line 1; or
- Form 990-PF, Return of Private Foundation, Part I, line 1.

Who Must File

Every organization must complete and attach Schedule B to its Form 990, 990-EZ, or 990-PF, unless it certifies that it doesn't meet the filing requirements of this schedule by:

- Answering "No" on Form 990, Part IV, *Checklist of Required Schedules,* line 2; or
- Checking the box on:
  - Form 990-EZ, line H; or
  - Form 990-PF, Part I, *Analysis of Revenue and Expenses,* line 2.

See the separate instructions for these lines on those forms.

If an organization isn't required to file Form 990, 990-EZ, or 990-PF but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Accounting Method

When completing Schedule B (Form 990), the organization must use the same accounting method it checked on Form 990, Part XII, *Financial Statements and Reporting,* line 1; Form 990-EZ, line G; or Form 990-PF, line J.

Public Inspection

Note: Don't include social security numbers of contributors as this information may be made public.

- Schedule B is open to public inspection for an organization that files Form 990-PF.
- Schedule B is open to public inspection for a section 527 political organization that files Form 990 or 990-EZ.
- For all other organizations that file Form 990 or 990-EZ, the names and addresses of contributors aren't required to be made available for public inspection. All other information, including the amount of contributions, the description of **noncash contributions,** and any other information, is required to be made available for public inspection unless it clearly identifies the contributor.

If an organization files a copy of Form 990 or 990-EZ, and attachments, with any state, it shouldn't include its Schedule B (Form 990) in the attachments for the state, unless a schedule of contributors is specifically required by the state. States that don't require the information might inadvertently make the schedule available for public inspection along with the rest of the Form 990 or 990-EZ.

See the instructions for Form 990, 990-EZ, or 990-PF for information on telephone assistance and the public inspection rules for these forms and their attachments.

Contributions To Be Included on Part I

A *contributor* (person) includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations. In addition, section 509(a)(2), 170(b)(1)(A)(iv), and 170(b)(1)(A)(vi) organizations must also report **governmental units** as contributors.

Contributions

Contributions reportable on Schedule B (Form 990) are contributions, grants, bequests, devises, and gifts of money or property, whether or not for charitable purposes. For example, political contributions to section 527 political organizations are included. Contributions don't include fees for the performance of services. See the instructions for Form 990, Part VIII, line 1, for more detailed information on contributions.

General Rule

Unless the organization is covered by one of the *Special Rules,* later, it must report in Part I contributions from all persons who contribute $5,000 or more (in money or other property) during the **tax year.** As described below, certain organizations report only total contribution amounts. Contributions may be made directly or indirectly and may take the form of money, **securities,** or any other type of property.

Include all separate and independent gifts that are $1,000 or more to determine a contributor's total contribution. Gifts that are less than $1,000 may be disregarded. Include each contribution reported on Form 990, Part VIII, line 1. For example, if an organization that uses the accrual method of accounting reports a pledge of noncash property in Part VIII, line 1, it must include the value of that contribution in calculating whether the contributor meets the General Rule (or one of the Special Rules, if applicable), even if the organization didn't receive the property during the tax year.

Certain organizations not required to report contributor names and addresses. Certain organizations are no longer required to report the names and addresses of their contributors on Schedule B. Such organizations are those other than:

- Section 501(c)(3) organizations (including section 4947(a)(1) nonexempt charitable trusts and nonexempt private foundations described in section 6033(d)), or
- Section 527 political organizations.

Organizations not required to report the names and addresses should enter "N/A" in Part I, column (b). These organizations must continue to:

- Collect the names and addresses of their contributors,
- Keep this information in their records and books, and
- Make the information available to the IRS upon request.

Section 501(c)(3) organizations (including section 4947(a)(1) nonexempt charitable trusts and nonexempt private foundations described in section 6033(d)), and section 527 political organizations must report the names and addresses of their contributors in Part I, column (b), on Schedule B.

Special Rules

Section 501(c)(3) organizations that file Form 990 or 990-EZ. For an organization described in section 501(c)(3) that meets the 331/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), and not just the 10% support test (whether or not the organization is otherwise described in section 170(b)(1)(A)), list in Part I only those contributors whose contribution of $5,000 or more during the tax year is greater than 2% of the amount reported on Form 990, Part VIII, line 1h(A); or Form 990-EZ, line 1. *An organization that claims the benefit of this special rule must either (1) establish on Schedule A (Form 990), Part II, that it met the 331/3% support test for the current year or prior year; or (2) check the box on Schedule A (Form 990), Part I, line 7 or 8, and the box on Schedule A, Part II, line 13, as a section 170(b)(1)(A)(vi) organization in its first 5 years*.

Example. A section 501(c)(3) organization, of the type described above, reported $700,000 in total contributions, gifts, grants, and similar amounts received on Form 990, Part VIII, line 1h. The organization is only required to list in Parts I and II of its Schedule B each person who contributed more than the greater of $5,000 or 2% of $700,000 ($14,000) during the tax year. Thus, a contributor who

gave a total of $11,000 wouldn't be reported in Parts I and II for this section 501(c)(3) organization. Even though the $11,000 contribution to the organization was greater than $5,000, it didn't exceed $14,000.

Section 501(c)(7), (8), or (10) organizations. For contributions to these social and recreational clubs, fraternal beneficiary and domestic fraternal societies, orders, or associations that weren't for an exclusively religious, charitable, etc., purpose, list in Part I contributions from each contributor who contributed $5,000 or more during the tax year, as described under *General Rule,* earlier.

For contributions to a section 501(c)(7), (8), or (10) organization received for use exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals (section 170(c)(4), 2055(a)(3), or 2522(a)(3)), list in Part I contributions from each contributor whose aggregate contributions for an exclusively religious, charitable, etc., purpose were more than $1,000 during the tax year. To determine the more-than-$1,000 amount, total all of a contributor's gifts for the tax year (regardless of amount). For a noncash contribution, complete Part II.

All section 501(c)(7), (8), or (10) organizations that listed an exclusively religious, charitable, etc., contribution in Part I or II must also complete Part III to provide further information on such contributions of more than $1,000 during the tax year and show the total amount received from such contributions that were for $1,000 or less during the tax year.

All section 501(c)(7), (8), or (10) organizations listing contributions under this special rule should enter "N/A" in Part I, column (b), and should not enter the name and address of any contributor.

However, if a section 501(c)(7), (8), or (10) organization didn't receive total contributions of more than $1,000 from a single contributor during the tax year for exclusively religious, charitable, etc., purposes and consequently wasn't required to complete Parts I through III with respect to these contributions, it need only check the third *Special Rules* box on the front of Schedule B and enter, in the space provided, the total contributions it received during the tax year for an exclusively religious, charitable, etc., purpose.

Specific Instructions

Don't attach substitutes for Schedule B or attachments to Schedule B with information on contributors. Parts I, II, and III of Schedule B may be duplicated as needed to provide adequate space for listing all contributors. Number each page of each part (for example, Page 2 of 5, Part II).

Part I. In column (a), identify the first contributor listed as No. 1 and the second contributor as No. 2, etc. Number consecutively. In column (b), section 501(c)(3) organizations (including section 4947(a)(1) nonexempt charitable trusts and section 501(c)(3) nonexempt private foundations) and section 527 organizations enter the contributor's name, address, and ZIP code. Identify a donor as "anonymous" only if the organization doesn't know the donor's identity. Other organizations would enter "N/A" in place of each contributor's name, address, and ZIP code. In column (c), enter the amount of total contributions for the **tax year** for the contributor listed.

In column (d), check the type of contribution. Check all that apply for the contributor listed. If a *cash contribution* came directly from a contributor (other than through payroll deduction), check the "Person" box. A cash contribution includes contributions paid by cash, credit card, check, money order, electronic fund or wire transfer, and other charges against funds on deposit at a financial institution.

If an **employee's** cash contribution was forwarded by an employer (indirect contribution), check the "Payroll" box. If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address or "N/A," as applicable, and the total amount given unless you know that a particular employee gave enough to be listed separately.

Check the "Noncash" box in column (d) for any contribution of property other than cash during the tax year, and complete Part II of this schedule. For example, if an organization that uses the accrual method of accounting reports a pledge of noncash property on Form 990, Part VIII, line 1g, it must check the "Noncash" box and complete Part II even if the organization didn't receive the property during the tax year.

For a section 527 organization that files a Form 8871, Political Organization Notice of Section 527 Status, the names and addresses of contributors that aren't reported on Form 8872, Political Organization Report of Contributions and Expenditures, don't need to be reported in Part I if the organization paid the amount specified by section 527(j)(1). In this case, enter "Pd. 527(j)(1)" in column (b) instead of a name, address, and ZIP code; but you must enter the amount of contributions in column (c).

Part II. In column (a), show the number that corresponds to the contributor's number in Part I. In column (b), describe the **noncash contribution** received by the organization during the tax year, regardless of the value of that noncash contribution. Note the public inspection rules discussed earlier.

In columns (c) and (d), report property with readily determinable market value (for example, market quotations for securities) by listing its **fair market value (FMV).** If the organization immediately sells **securities** contributed to the organization (including through a broker or agent), the contribution must still be reported as a gift of property (rather than cash) in the amount of the net proceeds plus the broker's fees and expenses. See the instructions for Form 990, Part VIII, line 1g, which provide an example to illustrate this point. If the property isn't immediately sold, measure market value of marketable securities registered and listed on a recognized securities exchange by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. See Regulations section 20.2031-2 to determine the value of contributed stocks and bonds. When FMV can't be readily determined, use an appraised or estimated value. To determine the amount of a noncash contribution subject to an outstanding debt, subtract the debt from the property's FMV. Enter the date the property was received by the organization, but only if the donor has fully given up use and enjoyment of the property at that time.

The organization must report the value of any **qualified conservation contributions** and contributions of **conservation easements** listed in Part II consistently with how it reports revenue from such contributions in its books, records, and financial statements and in Form 990, Part VIII, *Statement of Revenue.*

For more information on noncash contributions, see the instructions for Schedule M (Form 990), Noncash Contributions.

If the organization received a partially completed Form 8283, Noncash Charitable Contributions, from a donor, complete it and return it so the donor can get a charitable contribution deduction. Keep a copy for your records.

Original (first) and successor donee (recipient) organizations must file Form 8282, Donee Information Return, if they sell, exchange, consume, or otherwise dispose of (with or without consideration) charitable deduction property (property other than money or certain publicly traded securities) within 3 years after the date the original donee received the property.

Part III. Section 501(c)(7), (8), or (10) organizations that received contributions for use exclusively for religious, charitable, etc., purposes during the tax year must complete Parts I through III for each person whose gifts totaled more than $1,000 during the tax year. Show also, in the heading of Part III, the total of gifts to these organizations that were $1,000 or less for the tax year and were for exclusively religious, charitable, etc., purposes. Complete this information only on the first Part III page if you use duplicate copies of Part III.

If an amount is set aside for an exclusively religious, charitable, etc., purpose, show in column (d) how the amount is held (for example, whether it is commingled with amounts held for other purposes). If the organization transferred the gift to another organization, show the name and address of the transferee organization in column (e) and explain the relationship between the two organizations.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule C (Form 990)

Political Campaign and Lobbying Activities

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule C (Form 990) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule C (Form 990) is used by:

- Section 501(c) organizations, and
- Section 527 organizations.

These organizations must use Schedule C (Form 990) to furnish additional information on **political campaign activities** or **lobbying activities**, as those terms are defined later for the various parts of this schedule.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, *Checklist of Required Schedules*, line 3, 4, or 5, must complete the appropriate parts of Schedule C (Form 990) and attach Schedule C to Form 990. An organization that answered "Yes" on Form 990-EZ, Part V, line 46 or Part VI, line 47, must complete the appropriate parts of Schedule C (Form 990) and attach Schedule C to Form 990-EZ. An organization that answered "Yes" on Form 990-EZ, Part V, line 35c, because it is subject to the section 6033(e) notice and reporting requirements and proxy tax, must complete Schedule C (Form 990), Part III, and attach Schedule C to Form 990-EZ.

If an organization has an ownership interest in a **joint venture** that conducts **political campaign activities** or **lobbying activities**, the organization must report its share of such activity occurring in its **tax year** on Schedule C (Form 990). See Instructions for Form 990, Appendix F, *Disregarded Entities and Joint Ventures—Inclusion of Activities and Items*.

Part I. Political campaign activities. *Part I* is completed by section 501(c) organizations and section 527 organizations that file Form 990 (and Form 990-EZ). If the organization answered "Yes" on Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46, then complete the specific parts as follows.

- A section 501(c)(3) organization must complete *Parts I-A* and *I-B*. Don't complete *Part I-C*.
- A section 501(c) organization other than section 501(c)(3) must complete *Parts I-A* and *I-C*. Don't complete *Part I-B*.
- A section 527 organization that files the Form 990 or Form 990-EZ must complete *Part I-A*. Don't complete *Parts I-B* and *I-C*.

Part II. Lobbying activities. *Part II* is completed by only section 501(c)(3) organizations. If the organization answered "Yes" on Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47, then complete the specific parts as follows.

- A section 501(c)(3) organization that elected to be subject to the lobbying expenditure limitations of section 501(h) by filing Form 5768 and for which the election was valid and in effect for its **tax year** beginning in the year 2022 must complete *Part II-A*. Don't complete *Part II-B*.
- A section 501(c)(3) organization that hasn't elected to be subject to the lobbying expenditure limitations of section 501(h) (or has revoked such election by filing Form 5768 for which the revocation was valid and in effect for its **tax year** beginning in the year 2022) must complete *Part II-B*. Don't complete *Part II-A*.

Part III. Section 6033(e) notice and reporting requirements and proxy tax. *Part III* is completed by section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations that received membership dues, assessments, or similar amounts as defined in Rev. Proc. 98-19, 1998-1 C.B. 547, and that answered "Yes" on Form 990, Part IV, line 5 or "Yes" on Form 990-EZ, line 35c, regarding the proxy tax.

If an organization isn't required to file Form 990 or Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Definitions

Definitions in this section are applicable throughout this schedule, except where noted. The following terms are defined in the *Glossary*.

- **Joint venture.**
- **Legislation.**
- **Lobbying activities.**
- **Political campaign activities.**
- **Tax year.**

TIP *See Revenue Ruling 2007-41, 2007-25 I.R.B. 1421, available at IRS.gov/irb/2007-25_IRB#RR-2007-41, for guidelines on the scope of the tax law prohibition on campaign activities by section 501(c)(3) organizations.*

Section 527 exempt function activities. Section 527 exempt function activities include all functions that influence or attempt to influence the selection, nomination, election, or appointment of any individual to any federal, state, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not such individual or electors are selected, nominated, elected, or appointed.

Political expenditures. Any expenditures made for **political campaign activities** are political expenditures. An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

Specific legislation. Specific **legislation** includes (1) legislation that has already been introduced in a legislative body and (2) specific legislative proposals that an organization either supports or opposes.

Definitions (Part II-A)

Definitions in this section are applicable to only *Part II-A*.

Expenditure test. Under the expenditure test, there are limits both upon the amount of the organization's grassroots lobbying expenditures and upon the total amount of its direct lobbying and grassroots lobbying expenditures. If the electing public charity doesn't meet this expenditure test, it will owe a section 4911 excise tax on its excess lobbying expenditures. Moreover, if over a 4-year averaging period the organization's average annual total lobbying or grassroots lobbying expenditures are more than 150% of its dollar limits, the organization will lose its exempt status.

Exempt purpose expenditures. In general, an exempt purpose expenditure is paid or incurred by an electing public charity to accomplish the organization's exempt purpose.

Exempt purpose expenditures include:

1. The total amount paid or incurred for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, or to foster national or international amateur sports competition (not including providing athletic facilities or equipment, other than by qualified amateur sports organizations described in section 501(j)(2));

2. The allocable portion of administrative expenses paid or incurred for the earlier purposes;

3. Amounts paid or incurred to try to influence legislation, whether or not for the purposes described in 1 earlier;

4. Allowance for depreciation or amortization; and

5. Fundraising expenditures, except that exempt purpose expenditures don't include amounts paid to or incurred for either the organization's separate fundraising unit or other organizations, if the amounts are primarily for fundraising.

See Regulations section 56.4911-4(c) for a discussion of excluded expenditures.

Lobbying expenditures. Lobbying expenditures are expenditures (including allocable overhead and administrative costs) paid or incurred for the purpose of attempting to influence legislation:

- Through communication with any member or employee of a legislative or similar body, or with any government official or employee who may participate in the formulation of the legislation, and
- By attempting to affect the opinions of the general public.

To determine if an organization has spent excessive amounts on lobbying, the organization must know which expenditures are lobbying expenditures and which aren't lobbying expenditures. An electing public charity's lobbying expenditures for a year are the sum of its expenditures during that year for direct lobbying communications (direct lobbying expenditures) plus grassroots lobbying communications (grassroots lobbying expenditures).

Direct lobbying communications (direct lobbying expenditures). A direct lobbying communication is any attempt to influence any legislation through communication with:

- A member or employee of a legislative or similar body;
- A government official or employee (other than a member or employee of a legislative body) who may participate in the formulation of the legislation, but if the principal purpose of the communication is to influence legislation only; or
- The general public in a referendum, initiative, constitutional amendment, or similar procedure.

A communication with a legislator or government official will be treated as a direct lobbying communication if the communication only:

- Refers to specific legislation, and
- Reflects a view on such legislation.

Grassroots lobbying communications (grassroots lobbying expenditures). A grassroots lobbying communication is any attempt to influence any legislation through an attempt to affect the opinions of the general public or any part of the general public.

A communication is generally not a grassroots lobbying communication unless (in addition to referring to specific legislation and reflecting a view on that legislation) it encourages recipients to take action about the specific legislation.

A communication encourages a recipient to take action when it:

1. States that the recipient should contact legislators;

2. States a legislator's address, phone number, or similar information;

3. Provides a petition, tear-off postcard, or similar material for the recipient to send to a legislator; or

4. Specifically identifies one or more legislators who:

a. Will vote on legislation;

b. Opposes the communication's view on the legislation;

c. Is undecided about the legislation;

d. Is the recipient's representative in the legislature; or

e. Is a member of the legislative committee that will consider the legislation.

A communication described in item 4 earlier generally is grassroots lobbying only if, in addition to referring to and reflecting a view on specific legislation, it is a communication that can't meet the full and fair exposition test as nonpartisan analysis, study, or research.

Exceptions to lobbying. In general, engaging in nonpartisan analysis, study, or research and making its results available to the general public or segment of members thereof, or to governmental bodies, officials, or employees isn't considered either a direct lobbying communication or a grassroots lobbying communication. Nonpartisan analysis, study, or research may advocate a particular position or viewpoint as long as there is a sufficiently full and fair exposition of the pertinent facts to enable the public or an individual to form an independent opinion or conclusion.

A communication that responds to a governmental body's or committee's written request for technical advice isn't a direct lobbying communication.

A communication isn't a direct lobbying communication if the communication is an appearance before, or communication with, any legislative body concerning action by that body that might affect the organization's existence, its powers and duties, its tax-exempt status, or the deductibility of contributions to the organization, as opposed to affecting merely the scope of the organization's future activities.

Communication with members. For purposes of section 4911, expenditures for certain communications between an organization and its members are treated more leniently than are communications to nonmembers. Expenditures for a communication that refers to, and reflects a view on, specific legislation aren't lobbying expenditures if the communication satisfies the following requirements.

1. The communication is directed to only members of the organization.

2. The specific legislation the communication refers to, and reflects a view on, is of direct interest to the organization and its members.

3. The communication doesn't directly encourage the member to engage in direct lobbying (whether individually or through the organization).

4. The communication doesn't directly encourage the member to engage in grassroots lobbying (whether individually or through the organization).

The Revenue Procedure referenced has been updated from 2021-5,2021-1 I.R.B. 252 to 2022-5, 2022-1 I.R.B. 256.

Expenditures for a communication directed to only members that refers to, and reflects a view on, specific legislation and that satisfies the requirements of items (1), (2), and (4), earlier (under *Grassroots lobbying communications*), but doesn't satisfy the requirements of item (3), are treated as expenditures for direct lobbying.

Expenditures for a communication directed to only members that refers to, and reflects a view on, specific legislation and satisfies the requirements of items (1) and (2) earlier, but doesn't satisfy the requirements of item (4), are treated as grassroots expenditures, whether or not the communication satisfies the requirements of item (3). See Regulations section 56.4911-5 for details.

There are special rules regarding certain paid mass media advertisements about highly publicized legislation; allocation of mixed purpose expenditures; certain transfers treated as lobbying expenditures; and special rules regarding lobbying on referenda, ballot initiatives, and similar procedures. See Regulations sections 56.4911-2 and 56.4911-3.

Affiliated groups. Members of an affiliated group are treated as a single organization to measure lobbying expenditures. Two organizations are affiliated if one is bound by the other organization's decisions on legislative issues (control) or if enough representatives of one belong to the other organization's governing board to cause or prevent action on legislative issues (interlocking directorate). If the organization isn't sure whether its group is affiliated, it may ask the IRS for a ruling letter. There is a fee for this ruling. For information on requesting rulings, see Rev. Proc. 2022-5, 2022-1 I.R.B. 256, available at *IRS.gov/pub/irs-irbs/irb22-01.pdf* (or latest annual update).

Members of an affiliated group measure both lobbying expenditures and permitted lobbying expenditures on the basis of the affiliated group's tax year. If all members of the affiliated group have the same tax year, that year is the tax year of the affiliated group. However, if the affiliated group's members have different tax years, the tax year of the affiliated group is the calendar year, unless all the members of the group elect otherwise. See Regulations section 56.4911-7(e)(3).

Limited control. Two organizations that are affiliated because their governing instruments provide that the decisions of one will control the other on only national legislation are subject to the following provisions.

- The controlling organization is charged with its own lobbying expenditures and the national legislation expenditures of the affiliated organizations,
- The controlling organization isn't charged with other lobbying expenditures (or other exempt-purpose expenditures) of the affiliated organizations, and
- Each local organization is treated as though it were not a member of an affiliated group. For example, the local organization should account for its own expenditures only and not for any of the national legislation expenditures deemed as incurred by the controlling organization.

Definitions (Part III)

Definitions in this section are applicable to only *Part III*.

Lobbying and political expenditures. For purposes of this section only, lobbying and political expenditures don't include any political campaign expenditures for which the tax under section 527(f) was paid (see *Part I-C*). They do include any expenditures for communications with a covered executive branch official in an attempt to influence the official actions or positions of that official.

Covered executive branch official. Covered executive branch officials include the President, Vice-President, officers and employees of the Executive Office of the President, the two senior level officers of each of the other agencies in the Executive Office, individuals in level I positions of the Executive Schedule and their immediate deputies, and individuals designated as having Cabinet level status and their immediate deputies.

Direct contact lobbying. This means a:

1. Meeting,
2. Telephone conversation,
3. Letter, or
4. Similar means of communication that is with a:

a. Legislator, or

b. Covered executive branch official and that is an attempt to influence the official actions or positions of that official.

In-house expenditures include:

1. Salaries, and
2. Other expenses of the organization's officials and staff (including amounts paid or incurred for the planning of legislative activities).

In-house expenditures don't include: Any payments to other taxpayers engaged in lobbying or political activities as a trade or business or any dues paid to another organization that are allocable to lobbying or political activities.

Specific Instructions

Part I-A. Political Activity of Exempt Organizations

Note. Section 501(c) organizations other than those exempt under section 501(c)(3) may establish section 527(f)(3) separate segregated funds to engage in political activity. Separate segregated funds are subject to their own filing requirements. A section 501(c) organization that engages a separate segregated fund to conduct political activity should report transfers to the fund in *Parts I-A* and *I-C*. The separate segregated fund should report specific activities on its own Form 990 if the fund is required to file.

Line 1. Section 501(c) organizations should provide a detailed description of their direct and indirect **political campaign activities** in *Part IV*. If the section 501(c) organization collects political contributions or member dues earmarked for a separate segregated fund, and promptly and directly transfers them to that fund as prescribed in Regulations section 1.527-6(e), don't report them here. Such amounts should be reported in Part I-C, line 5e.

Section 527 organizations should provide a detailed description of their exempt function activities in *Part IV*.

Line 2. Enter the total amount that the filing organization has spent conducting the activities described on line 1.

Line 3. If the organization used volunteer labor for its **political campaign activities** or section 527 exempt function activities, provide the total number of hours. Any reasonable method may be used to estimate this amount.

Part I-B. Section 501(c)(3) Organizations— Disclosure of Excise Taxes Imposed Under Section 4955

Section 501(c)(3) organizations must disclose any excise tax incurred during the year under section 4955 (political expenditures), unless abated. See sections 4962 and 6033(b).

Line 1. Enter the amount of taxes incurred by the organization itself under section 4955, unless abated. If no tax was incurred, enter -0-.

Line 2. Enter the amount of taxes incurred by the organization managers under section 4955, unless abated. If no tax was incurred, enter -0-.

Line 3. If the filing organization reported a section 4955 tax on a Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, for the tax year, answer "Yes."

Line 4. Describe in *Part IV* the steps taken by the organization to correct the activity that subjected it to the section 4955 tax. Correction of a political expenditure means recovering the expenditure to the extent possible and establishing safeguards to prevent future political expenditures. Recovery of the expenditure means recovering part or all of the expenditure to the extent possible, and, where full recovery can't be accomplished, by any additional corrective action that is necessary. (The organization that made the political expenditure isn't under any obligation to attempt to recover the expenditure by legal action if the action would in all probability not result in the satisfaction of or execution on a judgment.)

Part I-C. Section 527 Exempt Function Activity of Section 501(c) Organizations Other Than Section 501(c)(3)

Note. Section 501(c) organizations that collect political contributions or member dues earmarked for a separate segregated fund, and promptly and directly transfer them to that fund as prescribed in Regulations section 1.527-6(e), don't report them on lines 1 or 2. Such amounts are reported on line 5e.

Line 1. Enter the amount of the organization's funds that it expended for section 527 exempt function activities. See Regulations section 1.527-6(b).

Line 2. Enter the amount of the organization's funds that it transferred to other organizations, including a separate segregated section 527(f)(3) fund created by the organization, for section 527 exempt function activity.

Line 3. Total exempt function expenditures. Add lines 1 and 2 and enter on line 3 and on Form 1120-POL, line 17b.

Line 4. If the filing organization reported taxable political expenditures on Form 1120-POL for this year, answer "Yes."

Line 5. In columns (a), (b), and (c), enter the name, address and employer identification number (**EIN**) of each section 527 political organization to which payments were made. In column (d), enter the amount paid from the filing organization's funds. In column (e), enter the amount of political contributions received and promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, enter information in *Part IV*.

Part II-A. Lobbying Activity

Only section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) complete this section.

Part II-A provides a reporting format for any section 501(c)(3) organization for which the 501(h) lobbying expenditure election was valid and in effect during the 2022 **tax year**, whether or not the organization engaged in **lobbying activities** during that tax year. A **public charity** that makes a valid section 501(h) election may spend up to a certain percentage of its exempt purpose expenditures to influence **legislation** without incurring tax or losing its tax exempt status.

Affiliated groups. If the filing organization belongs to an affiliated group, check Part II-A, box A and complete lines 1a through 1i.

- Complete column (a) for the electing member of the group.
- Complete column (b) for the affiliated group as a whole.

If the filing organization checked box A and the limited control provisions apply to the organizations in the affiliated group, each member of the affiliated group should check box B and complete only column (a).

If the filing organization doesn't check box A, don't check box B.

Affiliated group list. Provide in *Part IV* a list showing each affiliated group member's name, address, **EIN**, and expenses. Show which members made the election under section 501(h) and which didn't.

Include each electing member's share of the excess lobbying expenditures on the list.

Nonelecting members don't owe tax, but remain subject to the general rule, which provides that no substantial part of their activities may consist of carrying on propaganda or otherwise trying to influence **legislation**.

Lines 1a through 1i. Complete lines 1a through 1i in column (a) for any organization required to complete *Part II-A*, but complete column (b) for only affiliated groups.

Lines 1a through 1i are used to determine whether any of the organization's current year lobbying expenditures are subject to tax under section 4911. File Form 4720 if the organization needs to report and pay the excise tax.

Line 1a. Enter the amount the organization expended for grassroots lobbying communications. **See Regulations section 56.4911-6(b)**.

Line 1b. Enter the amount the organization expended for direct lobbying communications. **See Regulations section 56.4911-6(b)**.

Line 1c. Add lines 1a and 1b.

Line 1d. Enter all other amounts (excluding lobbying) the organization expended to accomplish its exempt purpose.

Line 1e. Add lines 1c and 1d. This is the organization's total exempt purpose expenditures.

Lines 1h and 1i. If there are no excess lobbying expenditures on either line 1h or 1i of column (b), treat each electing member of the affiliated group as having no excess lobbying expenditures. However, if there are excess lobbying expenditures on either line 1h or 1i of column (b), treat each electing member as having excess lobbying expenditures. In such case, each electing member must file Form 4720, and must pay the tax on its proportionate share of the affiliated group's excess lobbying expenditures. Enter the proportionate share in column (a) on line 1h or line 1i, or on both lines. In *Part IV*, provide the *affiliated group list* described earlier. Show what amounts apply to each group member. To find a member's proportionate share, see Regulations section 56.4911-8(d).

Line 1j. If the filing organization reported section 4911 tax on Form 4720 for this year, answer "Yes."

Line 2. Line 2 is used to determine if the organization exceeded lobbying expenditure limits during the 4-year averaging period.

Any organization for which a lobbying expenditure election under section 501(h) was in effect for its **tax year** beginning in 2022 must complete columns (a) through (e) of lines 2a through 2f except in the following situations.

1. An organization first treated as a section 501(c)(3) organization in its tax year beginning in 2022 doesn't have to complete any part of lines 2a through 2f.

2. An organization doesn't have to complete lines 2a through 2f for any period before it is first treated as a section 501(c)(3) organization.

3. If 2022 is the first year for which an organization's section 501(h) election is effective, that organization must complete line 2a, columns (d) and (e). The organization must then complete all of column (e) to determine whether the amount on line 2c, column (e), is equal to or less than the lobbying ceiling amount calculated on line 2b and whether the amount on line 2f is equal to or less than the grassroots ceiling amount calculated on line 2e. The organization doesn't satisfy both tests if either its total lobbying expenditures or grassroots lobbying expenditures exceed the applicable ceiling amounts. When this occurs, all five columns must be completed and a re-computation made unless exception 1 or 2 earlier applies.

4. If 2022 is the second or third tax year for which the organization's first section 501(h) election is in effect, that organization is required to complete only the columns for the years in which the election has been in effect, entering the totals for those years in column (e). The organization must determine, for those 2 or 3 years, whether the amount entered in column (e), line 2c, is equal to or less than the lobbying ceiling amount reported on line 2b, and whether the amount entered in column (e), line 2f, is equal to or less than the grassroots ceiling amount calculated on line 2e. The organization doesn't satisfy both tests if either its total lobbying expenditures or grassroots lobbying expenditures exceed applicable ceiling amounts. When that occurs, all five columns must be completed and a re-computation made, unless exception 1 or 2 earlier applies. If the organization isn't required to complete all five columns, provide a statement explaining why in *Part IV*. In the statement, show the ending date of the tax year in which the organization made its first section 501(h) election and state whether or not that first election was revoked before the start of the organization's tax year that began in 2022.

Note. If the organization belongs to an affiliated group, enter the appropriate affiliated group totals from column (b), lines 1a through 1i, when completing lines 2a, 2c, 2d, and 2f.

Line 2a. For 2019, 2020, 2021, and 2022, enter the amount from Schedule C (Form 990), Part II-A, line 1f, filed for each year.

Line 2c. For 2019, 2020, 2021, and 2022, enter the amount from Schedule C (Form 990), Part II-A, line 1c, for each year.

Line 2d. For 2019, 2020, 2021, and 2022, enter the amount from Schedule C (Form 990), Part II-A, line 1g, for each year.

Line 2f. For 2019, 2020, 2021, and 2022, enter the amount from Schedule C (Form 990), Part II-A, line 1a, for each year.

Enter the total for each line in column (e).

Part II-B. Lobbying Activity

Only section 501(c)(3) organizations that haven't filed Form 5768 (election under section 501(h)) or have revoked a previous election can complete this section.

Part II-B provides a reporting format for any section 501(c)(3) organization that engaged in **lobbying activities** during the 2022 **tax year** but didn't make a section 501(h) lobbying expenditure election for that year by filing Form 5768. The distinction in *Part II-A* between direct and grassroots lobbying activities by organizations that made the section 501(h) election doesn't apply to organizations that complete *Part II-B*.

Nonelecting section 501(c)(3) organizations must complete *Part II-B*, columns (a) and (b), to show lobbying expenditures paid or incurred.

Note. A nonelecting organization will generally be regarded as engaging in lobbying activity if the organization either contacts, or urges the public to contact, members of a legislative body for the purpose of proposing, supporting, or opposing legislation or the government's budget process; or advocates the adoption or rejection of **legislation**.

Organizations should answer "Yes" or "No" in column (a) to questions 1a through 1i and provide in *Part IV* a detailed description of any activities the organization engaged in (through its **employees** or **volunteers**) to influence legislation. The description should include all lobbying activities, whether expenses were incurred or not. Examples of such lobbying activities include:

- Sending letters or publications to government officials or legislators,
- Meeting with or calling government officials or legislators,
- Sending or distributing letters or publications (including newsletters, brochures, etc.) to members or to the general public, or
- Using direct mail, placing advertisements, issuing press releases, holding news conferences, or holding rallies or demonstrations.

For lines 1c through 1i, enter in column (b) the lobbying expenditures paid or incurred. Enter total expenditures on column (b), line 1j.

Line 1f. Grants to other organizations are amounts from the organization's funds given to another organization for the purpose of assisting the other organization conducting **lobbying activities**.

Line 1g. Direct contact is a personal telephone call or visit with legislators, their staffs, or government officials.

Line 1h. Rallies, demonstrations, seminars, conventions, speeches, and lectures are examples of public forums conducted directly by the organization or paid for out of the organization's funds.

Line 1i. Answer "Yes" if the organization engaged in any other activities to influence legislation.

Line 2a. Answer "Yes" if a section 501(c)(3) organization ceased to be described as a section 501(c)(3) organization because the amount on line 1j was substantial.

Line 2b. Enter the amount of taxes, if any, imposed on the organization itself under section 4912, unless abated.

Line 2c. Enter the amount of taxes, if any, imposed on the organization managers under section 4912, unless abated.

Line 2d. If the filing organization reported a section 4912 tax on a Form 4720 for this year, answer "Yes."

Part III. Section 6033(e) Notice and Reporting Requirements and Proxy Tax

Only certain organizations that are tax-exempt under:

- Section 501(c)(4) (social welfare organizations),
- Section 501(c)(5) (agricultural and horticultural organizations), or
- Section 501(c)(6) (business leagues)

are subject to the section 6033(e) notice and reporting requirements, and to a potential proxy tax. These organizations must report their total lobbying expenses, political expenses, and membership dues, or similar amounts.

Section 6033(e) requires certain section 501(c)(4), (5), and (6) organizations to tell their members what portion of their membership dues were allocable to the political or **lobbying activities** of the organization. If an organization doesn't give its members this information, then the organization is subject to a proxy tax. This tax is reported on Form 990-T, Exempt Organization Business Income Tax Return.

The Revenue Procedure referenced has been updates from Rev. Proc. 2020-45; 2020-46 I.R.B. 1016 sec 3.46 to 2021-45: 2021-48 I.R.B. 764 section 3.46.

Part III-A

Line 1. Answer "Yes" if any of the following exemptions from the reporting and notice requirements apply. By doing so, the organization is declaring that substantially all of its membership dues were nondeductible.

1. Local associations of employees' and veterans' organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations.

2. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations.

3. Section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations that receive more than 90% of their dues from:

a. Organizations exempt from tax under section 501(a), other than section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations,

b. State or local governments,

c. Entities whose income is excluded from gross income under section 115, or

d. Organizations described in 1 or 2, earlier.

4. Section 501(c)(4) and section 501(c)(5) organizations that receive more than 90% of their annual dues from:

a. Persons,

b. Families, or

c. Entities,

who each paid annual dues of $124 or less in 2022 (adjusted annually for inflation). See Rev. Proc. 2021-45; 2021-48 I.R.B. 764 section 3.46, available at IRS.gov/pub/irs-irbs/irb21-48.pdf (or latest annual update).

Amount of annual dues updated for inflation.

5. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception.

6. Any organization that keeps records to substantiate that 90% or more of its members can't deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

7. Any organization that isn't a membership organization.

CAUTION *Special rules treat affiliated social welfare organizations, agricultural and horticultural organizations, and business leagues as parts of a single organization for purposes of meeting the nondeductible dues exception. See Rev. Proc. 98-19, 1998-1 C.B. 547, section 5.03, as adjusted annually.*

Line 2. Answer "Yes" on line 2 if the organization satisfies the following criteria of the $2,000 in-house lobbying exception.

1. The organization didn't make any political expenditures or foreign lobbying expenditures during the 2022 tax year.

2. The organization made lobbying expenditures during the 2022 tax year consisting of only in-house direct lobbying expenditures totaling $2,000 or less, but excluding any allocable overhead expenses.

If the organization's in-house direct lobbying expenditures during the 2022 tax year were $2,000 or less, but the organization also paid or incurred other lobbying or political expenditures during the 2022 tax year, it should answer "No" to question 2. If the organization is required to complete *Part III-B*, the $2,000 or less of in-house direct lobbying expenditures shouldn't be included in the total of Part III-B, line 2a.

Line 3. Answer "Yes" on line 3 if the organization on its prior tax year agreed to carry over an amount to be included in the current year's reasonable estimate of lobbying and political expenses.

Complete only *Part III-B* if the organization answered "No" on **both** line 1 and line 2 or if the organization answered "Yes" on line 3.

Part III-B. Dues Notices, Reporting Requirements, and Proxy Tax

Dues notices. An organization that checked "No" for both Part III-A, lines 1 and 2, and is thus responsible for completing *Part III-B*, must send dues notices to its members at the time of assessment or payment of dues, unless the organization chooses to pay the proxy tax instead of informing its members of the nondeductible portion of its dues. These dues notices must reasonably estimate the dues allocable to the nondeductible lobbying and political expenditures reported in Part III-B, line 2a. An organization that checked "Yes" for Part III-A, line 3, and thus is required to complete *Part III-B*, must send dues notices to its members at the time of assessment or payment of dues and include the amount it agreed to carryover in its reasonable estimate of the dues allocable to the nondeductible lobbying and political expenditures reported in Part III-B, line 2a.

Dues, Lobbying, and Political Expenses

IF ...	THEN ...
The organization's lobbying and political expenses are more than its membership dues for the year,	The organization must (a) Allocate all membership dues to its lobbying and political activities, and (b) Carry forward any excess lobbying and political expenses to the next tax year.
The organization: (a) Had only *de minimis* in-house expenses ($2,000 or less) and no other nondeductible lobbying or political expenses (including any amount it agreed to carry over); or (b) Paid a proxy tax, instead of notifying its members of the allocation of dues to lobbying and political expenses; or (c) Established that substantially all of its membership dues, etc., aren't deductible by members.	The organization need not disclose to its membership the allocation of dues, etc., to its lobbying and political activities.

Members of the organization can't take a trade or business expense deduction on their tax returns for the portion of their dues, etc., allocable to the organization's lobbying and political activities.

Proxy Tax

IF ...	THEN ...
The organization's actual lobbying and political expenses are more than it estimated in its dues notices,	The organization is liable for a proxy tax on the excess.
The organization: (a) Elects to pay the proxy tax, and (b) Chooses not to give its members a notice allocating dues to lobbying and political campaign activities,	All the members' dues remain eligible for a section 162 trade or business expense deduction.
The organization: (a) Makes a reasonable estimate of dues allocable to nondeductible lobbying and political activities, and (b) Agrees to adjust its estimate in the following year*.	The IRS may permit a waiver of the proxy tax.
*A facts and circumstances test determines whether or not a reasonable estimate was made in good faith.	

Allocation of costs to lobbying activities and influencing legislation. An organization that is subject to the lobbying disclosure rules of section 6033(e) must use a reasonable allocation method to determine total costs of its direct lobbying activities; that is, costs to influence:

- **Legislation**, and
- The actions of a covered executive branch official through direct communication (for example, President, Vice-President, or cabinet-level officials, and their immediate deputies) (section 162(e)(1)(A) and section 162(e)(1)(D)).

Reasonable methods of allocating costs to direct lobbying activities include, but aren't limited to:

- The ratio method,
- The gross-up and alternative gross-up methods, and
- A method applying the principles of section 263A.

For more information, see Regulations sections 1.162-28 and 1.162-29. The special rules and definitions for these allocation methods are discussed under *Special Rules*, later.

An organization that is subject to the lobbying disclosure rules of section 6033(e) must also determine its total costs of:

- *De minimis* in-house lobbying,
- Grassroots lobbying, and
- **Political campaign activities**.

There are no special rules related to determining these costs.

All methods. For all the allocation methods, include labor hours and costs of personnel whose activities involve significant judgment about lobbying activities.

Special Rules

Ratio and gross-up methods. These methods may be used even if volunteers conduct activities.

Ratio method. This method may disregard labor hours and cost of clerical or support personnel (other than lobbying personnel).

Alternative gross-up method. This method may disregard:

- Labor hours, and
- Costs of clerical or support personnel (other than lobbying personnel).

Third-party costs. These are:

- Payments to outside parties for conducting lobbying activities,
- Dues paid to another membership organization that were declared to be nondeductible lobbying expenses, and
- Travel and entertainment costs for lobbying activity.

Direct contact lobbying. Treat all hours spent by a person in connection with direct contact lobbying as labor hours allocable to lobbying activities.

Don't treat as direct contact lobbying the hours spent by a person who engages in research and other background activities related to direct contact lobbying, but who makes no direct contact with a legislator, or covered executive branch official.

***De minimis* rule.** If less than 5% of a person's time is spent on lobbying activities, and there is no direct contact lobbying, an organization may treat that person's time spent on lobbying activities as zero.

Purpose for engaging in an activity. The purpose for engaging in an activity is based on all the facts and circumstances. If an organization's lobbying communication was for both a lobbying and a non-lobbying purpose, the organization must make a reasonable allocation of cost to influence **legislation**.

Correction of prior year lobbying costs. If in a prior year, an organization treated costs incurred for a future lobbying communication as a lobbying cost to influence legislation, but after the organization filed a timely return, it appears the lobbying communication will not be made under any foreseeable circumstance, the organization may apply these costs to reduce its current year's lobbying costs, but not below zero. The organization may carry forward any amount of the costs not used to reduce its current year's lobbying costs to subsequent years.

Example 1. Ratio method. X Organization incurred:

1. 6,000 labor hours for all activities,
2. 3,000 labor hours for lobbying activities (three employees),
3. $300,000 for operational costs, and
4. No third-party lobbying costs.

X Organization allocated its lobbying costs as follows:

Lobbying labor hrs.		Total costs of operations		Allocable third- party costs		Costs allocable to lobbying activities
$\frac{3{,}000}{6{,}000}$ Total labor hrs.	×	$300,000	+	$ -0-	=	$150,000

Example 2. Gross-up method and alternative gross-up method. A and B are employees of Y Organization.

1. A's activities involve significant judgment about lobbying activities.
2. A's basic lobbying labor costs (excluding employee benefits) are $50,000.
3. B performs clerical and support activities for A.
4. B's labor costs (excluding employee benefits) in support of A's activities are $15,000.
5. Allocable third-party costs are $100,000.

If Y Organization uses the gross-up method to allocate its lobbying costs, it multiplies 175% times its basic labor costs (excluding employee benefits) for all of the lobbying of its personnel and adds its allocable third-party lobbying costs as follows:

Basic lobbying labor costs of A + B		Allocable third-party costs		Costs allocable to lobbying activities
(175% × $65,000)	+	$100,000	=	$213,750

If Y Organization uses the alternative gross-up method to allocate its lobbying costs, it multiplies 225% times its basic labor costs (excluding employee benefits) for all of the lobbying hours of its lobbying personnel and adds its third-party lobbying costs as follows:

Basic lobbying labor costs of A		Allocable third-party costs		Costs allocable to lobbying activities
(225% × $50,000)	+	$100,000	=	$212,500

Section 263A cost allocation method. The examples that demonstrate this method are found in Regulations section 1.162-28(f).

Part III-B, Line 1. Enter the total dues, assessments, and similar amounts allocable to the 2022 tax year. Dues are the amounts the organization requires a member to pay in order to be recognized as a member.

Payments that are similar to dues include:

1. Members' voluntary payments,

2. Assessments to cover basic operating costs, and

3. Special assessments to conduct lobbying and political activities.

Line 2. Include on line 2a the total amount of expenses paid or incurred during the 2022 tax year in connection with:

1. Influencing **legislation**;

2. Participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for any public office;

3. Attempting to influence any segment of the general public with respect to elections, legislative matters, or referendums; and

4. Communicating directly with a covered executive branch official in an attempt to influence the official actions or positions of such official.

Don't include:

1. In-house direct lobbying expenditures, if the total of such expenditures is $2,000 or less (excluding allocable overhead); or

2. Political expenditures for which the section 527(f) tax has been paid (on Form 1120-POL).

Reduce the current year's lobbying expenditures, but not below zero, by costs previously allocated in a prior year to **lobbying activities** that were cancelled after a return reporting those costs was filed.

Carry forward any amounts not used as a reduction to subsequent years.

Include the following on line 2b.

1. Lobbying and political expenditures carried over from the preceding tax year.

2. An amount equal to the taxable lobbying and political expenditures reported on Part III-B, line 5 for the preceding tax year, if the organization received a waiver of the proxy tax imposed on that amount.

Line 3. Enter the total amount of dues, assessments, and similar amounts received, for which members were timely notified of the nondeductibility under section 162(e) that were allocable to the 2022 tax year.

Example.

- Membership dues: $100,000 for the 2022 tax year,
- Organization's timely notices to members: 25% of membership dues nondeductible, and
- Line 3 entry: $25,000.

Line 4. If the amount on line 2c exceeds the amount on line 3 and the organization sent dues notices to its members at the time of assessment or payment of dues, include the amount on line 4 that the organization agrees to carry over to the reasonable estimate of nondeductible lobbying and political expenditures next year and include the amount on the 2022 Schedule C (Form 990), in Part III-B, line 2b (carryover lobbying and political expenses), or its equivalent.

If the organization didn't send notices to its members, enter "-0-" on line 4.

Line 5. The taxable amount reportable on line 5 is the amount of dues, assessments, and similar amounts received:

1. Allocable to the 2022 tax year, and

2. Attributable to lobbying and political expenditures that the organization didn't timely notify its members were nondeductible.

Report the tax on Form 990-T.

If the amount on line 1 (dues, assessments, and similar amounts) is *greater* than the amount on line 2c (total lobbying and political expenditures), then subtract the nondeductible dues shown in notices (line 3) and the carryover amount (line 4) from the total lobbying and political expenditures (line 2c) to determine the taxable amount of lobbying and political expenditures (line 5).

If the amount on line 1 (dues, assessments, and similar amounts) is *less* than the amount on line 2c (total lobbying and political expenditures), then subtract the nondeductible dues shown in notices (line 3) and the carryover amount (line 4) from dues, assessments, and similar amounts (line 1) to determine the taxable lobbying and political expenditures (line 5).

Subtract dues, assessments, and similar amounts (line 1) from lobbying and political expenditures (line 2c) to determine the excess amount to be carried over to the following tax year and reported on Part III-B, line 2b (carryover lobbying and political expenditures), or its equivalent, on the next year Schedule C (Form 990) along with the amounts the organization agreed to carry over on line 4.

Underreporting of lobbying expenses. An organization is subject to the proxy tax for the 2022 tax year for underreported lobbying and political expenses only to the extent that these expenses (if actually reported) would have resulted in a proxy tax liability for that year. A waiver of proxy tax for the tax year applies to reported expenditures only.

An organization that underreports its lobbying and political expenses is also subject to the section 6652(c) daily penalty for filing an incomplete or inaccurate return. See Instructions for Form 990, *General Instructions H. Failure-to-File Penalties*, and Instructions for Form 990-EZ, *General Instructions G. Failure-to-File Penalties*.

Examples. Organizations A, B, and C:

1. Reported on the calendar year basis,

2. Incurred only grassroots lobbying expenses (didn't qualify for the under $2,000 in-house lobbying exception (*de minimis* rule)), and

3. Allocated dues to the tax year in which they were received.

Organization A. Dues, assessments, and similar amounts received in 2022 were greater than its lobbying expenses for 2022.

Workpapers (for 2022 Form 990) — Organization A

1.	Total dues, assessments, etc., received	$800	
2.	Lobbying expenses paid or incurred		$600
3.	Less: Total nondeductible amount of dues notices	100	100
4.	Subtract line 3 from both lines 1 and 2	$700	$500
5.	Taxable amount of lobbying expenses (smaller of the two amounts on line 4)		$500

TIP *The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on the 2022 Schedule C (Form 990), Part III-B, lines 1, 2c, 3, and 5.*

Because dues, assessments, and similar amounts received were greater than lobbying expenses, there is no carryover of excess lobbying expenses to the 2023 Schedule C (Form 990), Part III-B, line 2b.

See the instructions for Part III-B, line 5, for the treatment of the $500.

Organization B. Dues, assessments, and similar amounts received in 2022 were less than lobbying expenses for 2022.

Workpapers (for 2022 Form 990) — Organization B

1.	Total dues, assessments, etc., received	$400	
2.	Lobbying expenses paid or incurred		$600
3.	Less: Total nondeductible amount of dues notices	100	100
4.	Subtract line 3 from both lines 1 and 2	$300	$500
5.	Taxable amount of lobbying expenses (smaller of the two amounts on line 4)	$300	

The amounts on lines 1, 2, 3, and 5 of the workpapers were entered on the 2022 Schedule C (Form 990), Part III-B, lines 1, 2c, 3, and 5.

Because dues, assessments, and similar amounts received were less than lobbying expenses, excess lobbying expenses of $200 must be carried forward to the 2023 Schedule C (Form 990) Part III-B, line 2b (excess of $600 of lobbying expenses over $400 dues, etc., received). The $200 will be included along with the other lobbying and political expenses paid or incurred in the 2023 tax year.

See the instructions for Part III-B, line 5, for the treatment of the $300.

Organization C. Dues, assessments, and similar amounts received in 2022 were greater than lobbying expenses for 2022 and the organization agreed to carry over a portion of its excess lobbying and political expenses to the next year.

Workpapers (for 2022 Form 990) — Organization C

1.	Total dues, assessments, etc., received	$800	
2.	Lobbying expenses paid or incurred		$600
3.	Less: Total nondeductible amount of dues notices	100	100
4.	Less: Amount agreed to carry over	100	100
5.	Subtract lines 3 and 4 from both lines 1 and 2	$600	$400
6.	Taxable amount of lobbying expenses (smaller of the two amounts on line 5)		$400

The amounts on lines 1, 2, 3, 4, and 6 of the workpapers were entered on the 2022 Schedule C (Form 990), Part III-B, lines 1, 2c, 3, 4, and 5.

See the instructions for Part III-B, line 5, for the treatment of the $400.

Part IV. Supplemental Information

Use *Part IV* to enter narrative information required in Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A, line 1 (affiliated group list); Part II-A, lines 1 and 2; and Part II-B, line 1. Also use *Part IV* to enter other narrative explanations and descriptions. Identify the specific part and line number that the response supports, in the order in which they appear on Schedule C (Form 990). *Part IV* can be duplicated if more space is needed.

No substantive changes were made to Schedule D in 2022.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule D (Form 990)

Supplemental Financial Statements

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule D (Form 990) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990, Return of Organization Exempt From Income Tax.

Purpose of Schedule

Schedule D (Form 990) is used by an organization that files Form 990 to provide the required reporting for **donor advised funds**, **conservation easements**, certain art and museum collections, **escrow or custodial accounts** or arrangements, **endowment** funds, and supplemental financial information.

Who Must File

An organization that answered "Yes" to any of lines 6 through 12a on Form 990, Part IV, *Checklist of Required Schedules*, must complete the appropriate part(s) of Schedule D (Form 990) and attach the schedule to Form 990. An organization that answered "Yes" on Form 990, Part IV, line 12b, can complete Parts XI and XII of Schedule D (Form 990), but isn't required to do so.

If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts

Complete Part I if the organization answered "Yes" on Form 990, Part IV, line 6.

Generally, a ***donor advised fund*** is a fund or account:

1. That is separately identified by reference to **contributions** of a donor or donors,
2. That is owned and controlled by a **sponsoring organization**, and
3. For which the donor or **donor advisor** has or reasonably expects to have advisory privileges in the distribution or investment of amounts held in the donor advised fund or account because of the donor's status as a donor.

Note. Donor advised funds aren't limited to funds or accounts that meet the definition of "funds" under **generally accepted accounting principles**.

Exceptions. A donor advised fund doesn't include any fund or account:

1. That makes distributions only to a single identified organization or governmental entity; or

2. In which a donor or donor advisor gives advice about which individuals receive grants for travel, study, or other similar purposes, if:

a. The donors or donor advisor's advisory privileges are performed exclusively by such person in his or her capacity as a member of a committee in which all of the committee members are appointed by the sponsoring organization;

b. No combination of donors or donor advisors (and related persons, defined next) directly or indirectly control the committee; and

c. All grants from the fund or account are awarded on an objective and nondiscriminatory basis following a procedure approved in advance by the board of directors of the sponsoring organization. The procedure must be designed to ensure that all grants meet the requirements of section 4945(g)(1), (2), or (3); or

3. That the Secretary exempts from being treated as a donor advised fund because either such fund or account is advised by a committee not directly or indirectly controlled by the donor or donor advisor or because such fund benefits a single identified charitable purpose.

See Notice 2006-109, 2006-51 I.R.B. 1121, available at *IRS.gov/irb/2006-51_IRB/ar11.html*, modified by Rev. Proc. 2009-32, 2009-28 I.R.B. 142, modified by Notice 2014-4, 2014-2 I.R.B. 274.

A person related to a donor or donor advisor includes any family member (as defined in section 4958(f)(4)) of the donor or donor advisor and any **35% controlled entity** (as defined in section 4958(f)(3)) of the donor, donor advisor, or their family members.

Column (a). Complete for all donor advised funds held at any time during the **tax year** by the organization as a **sponsoring organization**.

Column (b). Complete for each similar fund or account held by the organization at any time during the tax year over which a donor, or person appointed by the donor, had advisory privileges for distribution or investment of amounts held in such fund or account, but which isn't a **donor advised fund**. Examples of other similar funds or accounts include the funds or accounts listed in *Exceptions* above, as well as funds otherwise prescribed by statute as excepted from the meaning of a donor advised fund.

Line 1. Report in column (a) the total number of **donor advised funds** and in column (b) the total number of other similar funds or accounts held by the organization at the end of the year.

Line 2. Report in column (a) the aggregate value of **contributions** during the year to all **donor advised funds** and in column (b) the aggregate value of contributions during the year to all other similar funds or accounts held by the organization.

Line 3. Report in column (a) the aggregate value of grants made during the year from all **donor advised funds** and in column (b) the aggregate value of grants made during the year from all other similar funds or accounts held by the organization. Report both grants outside the organization and transfers within the organization.

Line 4. Report in column (a) the aggregate value at the end of the year of all **donor advised funds** and in column (b) the aggregate value at the end of the year of all other similar funds or accounts held by the organization.

Part II. Conservation Easements

Complete Part II if the organization answered "Yes" on Form 990, Part IV, line 7.

In addition to reporting on **conservation easements**, also report in Part II other interests in real property that under state law have attributes similar to a conservation easement and are established for the purpose of conservation and preservation (for example, certain restrictive covenants and equitable servitudes). Don't report utility easements.

Line 1. Check the box for the purpose or purposes for which the organization held the easement(s) during the tax year. Check all that apply.

Line 2. Provide an answer for each item.

Line 2a. Enter the total number of **conservation easements** held by the organization at the end of the **tax year**. This shouldn't be an estimate or a rounded number.

Line 2b. Enter the total acreage restricted by **conservation easements** held by the organization at the end of the **tax year**. Compute the total acreage by adding together all the acres of land subject to all the easements held as of the end of the tax year. Don't include conservation easements on certified historic structures. Acreage can be expressed in decimal points for properties subject to easements where the acreage consists of less than whole numbers. For example, two and one-half acres can be expressed as 2.5 acres.

Line 2c. Enter the number of **conservation easements** on **certified historic structures** held by the organization at the end of the **tax year**.

A certified historic structure is any building or structure listed in the National Register of Historic Places as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to contributions of conservation easements on certified historic structures in registered historic districts.

Line 2d. Enter the number of **conservation easements** included in the answer to line 2c that the organization acquired after July 25, 2006, and not on a historic structure listed in the National Register.

Line 3. To be eligible for a federal charitable income tax deduction for the donation of a conservation easement to a qualified organization, the easement must be granted in perpetuity. For purposes of maintaining its tax exemption, the recipient tax-exempt organization must generally protect the conservation easements it holds in perpetuity.

Enter the total number of conservation easements held by the organization that were modified, transferred, released, extinguished, or terminated, in whole or in part, during the **tax year**. For example, if two easements were modified and one easement was terminated during the tax year, enter the number 3.

For each easement modified, transferred, released, extinguished, or terminated, in whole or in part, explain the changes in Part XIII. Tax exemption may be undermined by the modification, transfer, release, extinguishment, or termination of an easement.

For purposes of this Schedule D reporting requirement, an easement is *modified* when its terms are amended or altered in any manner. For example, if the deed of easement is amended to increase the amount of land subject to the easement or to add, alter, or remove restrictions regarding the use of the property subject to the easement, the easement is modified. An easement is *transferred* if, for example, the organization assigns, sells, releases, quitclaims, or otherwise disposes of the easement whether with or without consideration. An easement is *released, extinguished,* or *terminated* when it is condemned, extinguished by court order, transferred to the land owner, or in any way rendered void and unenforceable, in each case whether in whole or in part. An easement is also *released, extinguished,* or *terminated* when all or part of the property subject to the easement is removed from the protection of the easement in exchange for the protection of some other property or cash to be used to protect some other property.

The categories described in the preceding paragraph are provided for convenience purposes only and aren't to be considered legally binding or mutually exclusive. For example, a modification may also involve a transfer and an extinguishment, depending on the circumstances. Use of a synonym for any of these terms doesn't avoid the application of the reporting requirement. For example, calling an action a "swap" or a "boundary line adjustment" doesn't mean the action isn't also a modification, transfer, or extinguishment.

Line 4. Enter the total number of states where property is located and subject to a **conservation easement** held by the organization during the **tax year**.

Line 5. A qualified organization must have a commitment to protect the conservation purposes of the easement, and have the resources to enforce the restrictions. Report whether the organization has a written policy or policies about how the organization will monitor, inspect, and handle violations, and how it will enforce **conservation easements**. If "Yes," briefly summarize such policy or policies in Part XIII. Also, indicate whether such policy or policies are reflected in the organization's easement documents. *Monitoring* means the organization investigates the use or condition of the real property restricted by the easement to determine if the property owner is adhering to the restrictions imposed by the terms of the easement to ensure the conservation purpose of the easement is being achieved. *Inspection* means an onsite visit to observe the property to carry out a monitoring purpose. *Enforcement* of an easement means action taken by the organization after it discovers a violation to compel a property owner to adhere to the terms of the conservation easement. Such activities can include communications with

the property owner explaining his or her obligations with respect to the easement, arbitration, or litigation.

Line 6. Enter the total number of hours devoted during the tax year to monitoring, inspecting, handling violations, and enforcing **conservation easements**, as those terms are defined in the instructions for line 5 above. Include the hours devoted to this purpose by any of the organization's paid or unpaid staff and by any of the organization's agents or **independent contractors**.

Line 7. Enter the total amount of expenses incurred by the organization during the **tax year** to monitor, inspect, handle violations, and enforce the **conservation easements** it held during the year as those terms are defined in the instructions for line 5.

Line 8. Answer "Yes" if each of the organization's façade easements acquired after July 25, 2006, satisfies the requirements of sections 170(h)(4)(B)(i) and 170(h)(4)(B)(ii).

Section 170(h)(4)(B)(i) requires each façade easement donated after August 17, 2006, to include a restriction that preserves the entire exterior of the building, including the front, sides, rear, and height of the building, and to prohibit any change in the exterior of the building that is inconsistent with the historical character of such exterior.

Section 170(h)(4)(B)(ii) requires the donor and donee to enter into a written agreement certifying, among other things, that the donee organization has the resources to manage and enforce the restriction and a commitment to do so.

Line 9. Enter in Part XIII a description of how the organization reports **conservation easements** in its revenue and expense statement and on its balance sheet. Include in Part XIII, if applicable, the text of the footnote to the organization's **financial statements** that describes the organization's accounting for conservation easements and the basis for its reporting position (for example, Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) 02-7, Example 1 (now codified in Accounting Standards Codification (ASC) 350-30-55-29 to 55-32)).

CAUTION *The organization must report any **qualified conservation contributions** and contributions of **conservation easements** in Form 990, Part VIII, Statement of Revenue; Schedule A (Form 990 or 990-EZ), Public Charity Status and Public Support; Schedule B (Form 990, 990-EZ, or 990-PF), Schedule of Contributors; and Schedule M (Form 990), Noncash Contributions, consistently with how it reports revenue from such contributions in its books, records, and financial statements.*

Part III. Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets

Complete Part III if the organization answered "Yes" on Form 990, Part IV, line 8.

Organizations that receive contributions of **works of art**, **historical treasures**, and similar assets that don't maintain collections as described in the Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958) (including what was formerly SFAS 116) aren't required to complete Part III, but may be required to complete Schedule M.

For lines 1 and 2, refer to FASB ASC 958 for meanings of the various terms.

Lines 1 and 2. Pursuant to FASB ASC 958, certain organizations can choose one of two methods to report collections of **works of art**, **historical treasures**, or other similar assets held for public exhibition, education, or research in furtherance of public service. An organization that doesn't recognize and capitalize its collections for financial statement purposes will report its collections on the face of its statement of activities, separately from revenues, expenses, gains, losses, and assets. An organization that recognizes and capitalizes its collections for financial statement purposes will report its collections as assets and revenues based upon its fair value measurement. Line 1 pertains to collection items held by the organization in furtherance of public service, and line 2 pertains to collection items held by the organization for financial gain, as those terms are described in FASB ASC 958.

Line 1a. If an organization has elected not to capitalize its collections, then provide in Part XIII the footnote(s) to the organization's **financial statements** that describes these collection items.

Line 1b. If an organization has elected to capitalize its collections, provide on line 1b(i) the revenue relating to its collection items that is reported on Form 990, Part VIII, line 1. Also, provide on line 1b(ii) the value of the organization's collection items reported as **total assets** on Form 990.

Line 2. If an organization has received or held collections for financial gain, provide on line 2a the revenue reported as to these collection items from the total revenue included on Form 990, Part VIII, line 1. Also, provide on line 2b the asset value assigned to these collection items, which value should also be reported as part of the organization's **total assets** reported on Form 990, Part X.

Line 3. Based upon the organization's acquisition, accession, and other records, check all boxes that best describe how the organization utilizes its collections, including the collection's most significant use.

Line 4. In Part XIII, provide a description of the organization's collections and explain how these collections further the organization's exempt purposes.

Line 5. Answer "Yes" to line 5 if during the year the organization solicited or received donations of **art**, **historical treasures**, or other similar assets to be sold in order to raise funds rather than to be maintained as part of the organization's collection.

Part IV. Escrow and Custodial Arrangements

Complete Part IV if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

Lines 1a through 1f. If the organization acts as an agent, **trustee**, custodian, or other intermediary for funds payable to other organizations or individuals and hasn't reported those amounts on Form 990, Part X, as an asset or liability, check "Yes" and provide an explanation of the arrangement in Part XIII.

Organizations that maintain **escrow or custodial accounts** not reported on Form 990, Part X, must record increases or decreases in such accounts by completing lines 1c through 1f.

Example 1. A credit counseling organization that collects amounts from debtors to remit to creditors holds funds in an **escrow or custodial account**. If the organization acts as a go-between and doesn't report these funds as its assets or liabilities on Form 990, Part X, it must report the fund balances on lines 1c through 1f.

Example 2. An organization providing down-payment assistance that collects amounts from donors to be used toward the purchase of qualifying housing holds funds in an **escrow or custodial account**. If the organization acts as a go-between and doesn't report these funds as its assets or liabilities on Form 990, Part X, it must report the fund balances on lines 1c through 1f.

Line 2. If the organization answered "Yes" to line 2a, explain in Part XIII the arrangements under which the amounts reported on Form 990, Part X, line 21, are held, including any obligations the organization has to other persons under such arrangements.

Explain in Part XIII any credit counseling, debt management, credit repair, or debt negotiation services the organization provided.

Part V. Endowment Funds

Complete Part V if the organization answered "Yes" on Form 990, Part IV, line 10. For Part V, the definitions of endowment and types of endowments are governed by FASB ASC 958. Information reported in Part V should pertain to the aggregate of the donor-restricted assets held by the organization, organizations formed and maintained exclusively to further one or more exempt purposes of the organization, and organizations that hold endowment funds for the benefit of the organization.

Term endowment includes endowment funds established by donor-restricted gifts that are maintained to provide a source of income for either a specified period of time or until a specific event occurs. These funds should be reported as "temporarily restricted endowment" for purposes of completing line 2c.

Permanent endowments are endowment funds that are established by donor-restricted gifts and are maintained to provide a permanent source of income, with the stipulation that principal must be invested and kept intact in perpetuity, while only the income generated can be used by the organization.

Board-designated endowments or quasi-endowments result from an internal designation and are generally not donor-restricted and are classified as net assets without donor restrictions. The governing board has the right to decide at any time to expend such funds.

Line 1a. Enter the beginning-of-year balances of the organization's endowment funds for the current year and prior year. The amounts entered should agree with the organization's total permanent endowment, term endowment, and board or quasi-endowment funds at the beginning of the current year and prior year.

Line 1b. Enter the amounts of current year and prior year **contributions** and transfers to the organization's **endowment** funds. These amounts include all donor gifts, grants, and contributions received, as well as additional funds established by the organization's governing board to function like an endowment, but that can be expended at any time at the discretion of the board.

Line 1c. Enter the current year and prior year net amounts of investment earnings, gains, and losses, including both realized and unrealized amounts. For earnings reported net of transaction costs, enter the net amount on line 1c. For earnings reported on a gross basis, enter the transaction costs on line 1f.

Line 1d. Enter the current year and prior year amounts distributed for grants or scholarships.

Because scholarships represent direct aid to individuals, they are distinguished from general programmatic aid referenced in line 1e.

Line 1e. Enter the current year and prior year amounts distributed for facilities and programs. Amounts on this line should include withdrawn amounts, and amounts disinvested from an organization's **quasi-endowments** to reduce or eliminate capital investment.

Line 1f. Enter the current year and prior year administrative expenses charged to the **endowment** funds. These expenses can arise from either internal or third-party sources.

Line 1g. Enter the year-end balances of the organization's **endowment** funds for the current year and prior year. To determine the year-end balances, add lines 1a, 1b, and investment earnings on line 1c, and subtract line 1c investment losses and the amounts on lines 1d through 1f.

Line 2. On lines 2a through 2c, enter the estimated percentage of the organization's total endowment funds at the current year end (as reported in line 1g, column (a)) held in (a) board designated or quasi-endowment funds, (b) permanent endowment funds, or (c) term endowment funds. The total of these three percentages should equal 100%. If the organization follows FASB ASC 958, amounts should be reported on lines 2a, 2b, and 2c consistent with the organization's footnote disclosure under FASB ASC 958.

Line 3. Report information on **endowment** funds not in possession of the organization.

Line 3a(i). Check "Yes" if any of the organization's **endowment** funds are in the possession of and administered by **unrelated organizations**.

Line 3a(ii). Check "Yes" if any of the organization's **endowment** funds are in the possession of and administered by **related organizations**.

Line 3b. All **related organizations** are required to be reported on Schedule R (Form 990), Related Organizations and Unrelated Partnerships. Check "Yes" on line 3b if the organization answered "Yes" to line 3a(ii) and the organization listed all related organizations referred to on line 3a(ii) on Schedule R.

Line 4. Describe in Part XIII the intended uses of the organization's **endowment** funds.

Part VI. Land, Buildings, and Equipment

Complete Part VI if the organization answered "Yes" on Form 990, Part IV, line 11a, and reported an amount on Form 990, Part X, line 10a. Reporting is required if any amount other than zero is reported on those lines.

Column (a). Enter the cost or other basis of all land, buildings, leasehold improvements, equipment, and other fixed assets held for investment purposes, such as rental properties.

Column (b). Enter the cost or other basis of all other land, buildings, leasehold improvements, equipment, and other fixed assets held for other than investment purposes,

including any land, buildings, and equipment owned and used by the organization in conducting its exempt activities. The total amounts reported in columns (a) and (b) must equal the amount reported on Form 990, Part X, line 10a.

Column (c). Enter the accumulated depreciation recorded for the assets listed in columns (a) and (b). Don't enter an amount in column (c) for line 1a, Land. The total of column (c) must equal the amount reported on Form 990, Part X, line 10b.

Column (d). Enter the sum of column (a) and column (b) minus column (c). The total of column (d) must equal the amount reported on Form 990, Part X.

Part VII. Investments—Other Securities

Complete Part VII if the organization answered "Yes" on Form 990, Part IV, line 11b, or reported an amount on Form 990, Part X, that is 5% or more of the total assets reported on Form 990, Part X.

Other securities to be reported in this part include **closely held stock**. They also include (1) publicly traded stock for which the organization holds 5% or more of the outstanding shares of the same class, and (2) publicly traded stock in a corporation that comprised more than 5% of the organization's **total assets** at the end of the **tax year**. List each separate class of publicly traded stock held by the organization that meets either of these 5% ownership tests. Don't include program-related investments.

Column (a). Describe the type of investment. Each class of publicly traded stock for which the organization holds 5% or more of the outstanding shares must be listed by name and class, including the number of shares held. Also report all publicly traded stock in a corporation that comprised more than 5% of the organization's **total assets** at the end of the **tax year**.

Column (b). Enter the book value of each investment. The total of column (b) must equal the amount reported on Form 990, Part X.

Column (c). Indicate whether the investment is listed at cost or end-of-year market value. When reporting **securities** at **fair market value**, use commonly accepted valuation methods.

Part VIII. Investments—Program Related

Complete Part VIII if the organization answered "Yes" on Form 990, Part IV, line 11c, and reported an amount on Form 990, Part X, that is 5% or more of the total assets reported on Form 990, Part X.

Program-related investments are investments made primarily to accomplish the organization's exempt purposes rather than to produce income. Examples of program-related investments include student loans and notes receivable from other exempt organizations that obtained the funds to pursue the filing organization's exempt function.

Column (a). Briefly describe each program-related investment on a separate line, including whether the investment is a loan or equity investment. For investments in a **domestic organization**, identify the organization.

Column (b). Enter the book value of each program-related investment. The total of column (b) must equal the amount reported on Form 990, Part X.

Column (c). Indicate whether the investment is listed at cost or end-of-year market value.

Part IX. Other Assets

Complete Part IX if the organization answered "Yes" on Form 990, Part IV, line 11d, or reported an amount on Form 990, Part X, column (B), line 15, that is 5% or more of the total assets reported on Form 990, Part X.

Column (a). Enter a description of assets reported on Form 990, Part X, column (B), line 15. The organization can use any reasonable basis to classify these assets.

Column (b). Enter the book value of each asset. The total of column (b) must equal the amount reported on Form 990, Part X.

Part X. Other Liabilities

Complete Part X if the organization answered "Yes" on Form 990, Part IV, line 11e or line 11f, and either reported an amount on Form 990, Part X, or had **financial statements** for the **tax year** that include a footnote addressing the organization's liability for uncertain tax positions. Organizations are required to separately report all liabilities for federal income taxes and amounts owed to related organizations on Part X of this schedule.

Line 1. Other liabilities. In column (a), list each type of liability not reported on lines 17 through 24 of Form 990, Part X. The organization can use any reasonable basis to classify these liabilities.

In column (b), enter the book value of each liability. The total of column (b) must equal the amount reported on Form 990, Part X.

Line 2. Liability for uncertain tax positions. Every organization required to complete Part X must provide the text of the note in, or footnote to, its **financial statements**, if applicable, regarding the organization's liability for uncertain tax positions under **FASB ASC 740**, International Financial Reporting Standards (IFRS), other country-specific accounting standards, or a modified version of any of the above (for example, modified FASB ASC 740). This includes, for example, the description of a liability for **unrelated business income** tax, or tax that may be assessed as a result of the revocation of exempt status. Provide the full text of this note or footnote in Part XIII, even if the organization did not report any liability for uncertain tax positions in the note or footnote. Any portion of the note or footnote that addresses only the filing organization's liability must be provided verbatim. The filing organization can summarize that portion, if any, of a note or footnote that applies to the liability of multiple organizations, including the organization (for example, as a member of a group with consolidated financial statements), to describe the filing organization's share of the liability.

Parts XI Through XII. Reconciliation of Revenue and Expenses From Form 990 to Audited Financial Statements

Complete Parts XI and XII if the organization answered "Yes" on Form 990, Part IV, line 12a. If the organization answered

"Yes" on Form 990, Part IV, line 12b (but answered "No" on line 12a), completing Parts XI and XII is optional.

If the organization did not receive **audited financial statements** for the reporting year for which it is completing this Form 990, it isn't required to complete Part XI or XII, even if it prepared Form 990 in accordance with FASB ASC 958.

Use the reconciliation statements of Parts XI and XII to reconcile the differences between the revenue and expenses reported on the organization's audited financial statements prepared in accordance with FASB ASC 958 and the revenue and expenses reported on the organization's Form 990.

On line 4a of Parts XI and XII, include only those investment expenses netted against investment income in the revenue portion of the organization's audited financial statements. Don't include **program-related investment** expenses or other expenses reported as program service expenses in the audited statement of activities.

Parts XI and XII don't have to be completed for group returns.

Part XIII. Supplemental Information

Complete Part XIII to provide narrative information required in the following.

- Part II, lines 3, 5, and 9 (**conservation easements**).
- Part III, lines 1a and 4 (**collections of works of art**, **historical treasures**, and **other similar assets**).
- Part IV, lines 1b and 2b (escrow or custodial arrangements, or credit counseling, debt management, credit repair, or debt negotiation services).
- Part V, line 4 (**endowment** funds).
- Part X, line 2 (note or footnote to **financial statements** regarding liability for uncertain tax positions).
- Part XI, lines 2d and 4b (reconciliation of revenue).
- Part XII, lines 2d and 4b (reconciliation of expenses).

Also use Part XIII to provide additional narrative explanations and descriptions, as needed. Identify the specific part and line number that the response supports in the order that it appears on Schedule D (Form 990). Part XIII can be duplicated if more space is needed.

No substantive changes were made to Schedule E in 2022.

General Instructions

Future developments. For the latest information about developments related to Schedule E (Form 990), such as legislation enacted after the schedule and its instructions were published, go to *www.irs.gov/Form990*.

Reminder

Rev. Proc. 2019-22, 2019-22 I.R.B. 1260, modified Rev. Proc. 75-50 to provide a third method for a private school to satisfy the publicity requirement in section 4.03. Accordingly, also answer "Yes" to line 3 if the organization has publicized its racially nondiscriminatory policy on its primary publicly accessible Internet homepage at all times during its tax year in a manner reasonably expected to be noticed by visitors to the homepage.

Purpose of Schedule

Schedule E (Form 990) is used by an organization that files Form 990 or 990-EZ to report information on private schools.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, line 13, or Form 990-EZ, Part VI, line 48, must complete and attach Schedule E to Form 990 or 990-EZ, as applicable. This means the organization checked the box on Schedule A (Form 990), Public Charity Status and Public Support, Part I, line 2, because it's a school.

If an organization isn't required to file Form 990 or 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

For Forms 990 and 990-EZ filers, use Part II if additional space is needed for explanations.

Specific Instructions

Part I

Relevant parts of Rev. Proc. 75-50, 1975-2 C.B. 587, are given below. The revenue procedure gives guidelines and recordkeeping requirements for determining whether private schools that are recognized as exempt from tax have racially nondiscriminatory policies toward their students.

Rev. Proc. 2019-22, 2019-22 I.R.B. 1260, modified Rev. Proc. 75-50 to provide a third method for a private school to satisfy the requirement in section 4.03.

4.01 Organizational requirements. A school must include a statement in its charter, bylaws, or other governing instrument, or in a resolution of its governing body, that it has a racially nondiscriminatory policy as to students and therefore doesn't discriminate against applicants and students on the basis of race, color, and national or ethnic origin.

4.02 Statement of policy. Every school must include a statement of its racially nondiscriminatory policy as to students in all its brochures and catalogues dealing with student admissions, programs, and scholarships. A statement substantially similar to the Notice described in paragraph (a), subsection 1, section 4.03, below, will be acceptable for this purpose. Further, every school must include a reference to its racially nondiscriminatory policy in other written advertising that it uses as a means of informing prospective students of its programs. The following references will be acceptable.

The (name) school admits students of any race, color, and national or ethnic origin.

4.03 Publicity. The school must make its racially nondiscriminatory policy known to all segments of the general community served by the school.

1. The school must use one of the following three methods to satisfy this requirement.

a. The school may publish a notice of its racially nondiscriminatory policy in a newspaper of general circulation that serves all racial segments of the community. This publication must be repeated at least once annually during the period of the school's solicitation for students or, in the absence of a solicitation program, during the school's registration period. Where more than one community is served by a school, the school may publish its notice in those newspapers that are reasonably likely to be read by all racial segments of the communities that it serves. The notice must appear in a section of the newspaper likely to be read by prospective students and their families and it must occupy at least three column inches. It must be captioned in at least 12-point boldface type as a notice of nondiscriminatory policy as to students, and its text must be printed in at least 8-point type. The following notice will be acceptable.

Notice of Nondiscriminatory Policy as to Students

The (name) school admits students of any race, color, national and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school-administered programs.

b. The school may use the broadcast media to publicize its racially nondiscriminatory policy if this use makes such nondiscriminatory policy known to all segments of the general community the school serves. If this method is chosen, the school must provide documentation that the means by which this policy was communicated to all segments of the general community was reasonably expected to be effective. In this case, appropriate documentation would include copies of the tapes or script used and records showing that there was an adequate number of announcements, that they were made during hours when the announcements were likely to be communicated to all segments of the general community, that they were of sufficient duration to convey the message clearly, and that they were broadcast on radio or television stations likely to be listened to by substantial numbers of members of all racial segments of the general community. Announcements must be made during the period of the school's solicitation for students or, in the absence of a solicitation program, during the school's registration period.

c. The school may display a notice of its racially nondiscriminatory policy on its primary publicly accessible Internet homepage at all times during its tax year (excluding temporary outages due to website maintenance or technical problems) in a manner reasonably expected to be noticed by visitors to the homepage. The notice used to satisfy the publicity requirement under 1(a), above, is acceptable. A publicly accessible homepage is one that does not require a visitor to input information, such as an email address or a username and password, to access the homepage. Factors to be considered in determining whether a notice is reasonably expected to be noticed by visitors to the homepage include the size, color, and graphic treatment of the notice in relation to other parts of the homepage, whether the notice is unavoidable, whether other parts of the homepage distract attention from the notice, and whether the notice is visible without a visitor having to do anything other than simple scrolling on the homepage. A link on the homepage to another page where the notice appears, or a notice that appears in a carousel or only by selecting a dropdown or by hover (mouseover) is not acceptable. If a school does not have its own website, but it has webpages contained in a website, the school must display a notice of its racially nondiscriminatory policy on its primary landing page within the website in a manner that satisfies all other requirements of this subsection 1(c) to use this publication method.

Communication of a racially nondiscriminatory policy as to students by a school to leaders of racial groups as the sole means of publicity generally won't be considered effective to make the policy known to all segments of the community.

2. The requirements of subsection 1, section 4.03, won't apply when one of the following paragraphs applies.

a. If, for the preceding 3 years, the enrollment of a parochial or other church-related school consists of students at least 75% of whom are members of the sponsoring religious denomination or unit, the school may make known its racially nondiscriminatory policy in whatever newspapers or circulars the religious denomination or unit utilizes in the communities from which the students are drawn. These newspapers and circulars may be those distributed by a particular religious denomination or unit or by an association that represents a number of religious organizations of the same denomination. If, however, the school advertises in newspapers of general circulation in the community or communities from which its students are drawn and paragraphs (b) and (c) of this subsection aren't applicable to it, then it must comply with paragraph (a), subsection 1, section 4.03.

b. If a school customarily draws a substantial percentage of its students nationwide, worldwide, or from a large geographic section or sections of the United States and follows a racially nondiscriminatory policy as to students, the publicity requirement may be satisfied by complying with section 4.02, earlier. Such a school may demonstrate that it follows a racially nondiscriminatory policy within the meaning of the preceding sentence either by showing that it currently enrolls students of racial minority groups in meaningful numbers or, when minority students are not enrolled in meaningful numbers, that its promotional activities and recruiting efforts in each geographic area were reasonably designed to inform students of all racial segments in the general communities within the area of the availability of the school. The question whether a school satisfies the preceding sentence will be determined on the basis of the facts and circumstances of each case.

c. If a school customarily draws its students from local communities and follows a racially nondiscriminatory policy as to students, the publicity requirement may be satisfied by complying with section 4.02, earlier. Such a school may demonstrate that it follows a racially nondiscriminatory policy within the meaning of the preceding sentence by showing that it currently enrolls students of racial minority groups in meaningful numbers. The question whether a school satisfies the preceding sentence will be determined on the basis of the facts and circumstances of each case. One of the facts and circumstances that the IRS will consider is whether the school's promotional activities and recruiting efforts in each area were reasonably designed to inform students of all racial segments in the general communities within the area of the availability of the school. The IRS recognizes that the failure by a school drawing its students from local communities to enroll racial minority group students may not necessarily indicate the absence of a racially nondiscriminatory policy as to students when there are relatively few or no such students in these communities. Actual enrollment is, however, a meaningful indication of a racially nondiscriminatory policy in a community in which a public school or schools became subject to a desegregation order of a federal court or otherwise expressly became obligated to implement a desegregation plan under the terms of any written contract or other commitment to which any federal agency was a party.

The IRS encourages schools to satisfy the publicity requirement by the methods described in subsection 1, section 4.03, regardless of whether a school considers itself within subsection 2, because it believes these methods to be the most effective to make known a school's racially nondiscriminatory policy. It's each school's responsibility to determine whether paragraph (a), (b), or (c), subsection 2, applies to it. On audit, a school must be prepared to demonstrate that the failure to publish its racially nondiscriminatory policy in accordance with subsection 1, section 4.03, was justified by the application to it of paragraph (a), (b), or (c), subsection 2. Further, a school must be prepared to demonstrate that it has publicly disavowed or repudiated any statements purported to have been made on its behalf (after November 6, 1975) that are contrary to its publicity of a racially nondiscriminatory policy as to students, to the extent that the school or its principal official were aware of such statements.

4.04 Facilities and programs. A school must be able to show that all of its programs and facilities are operated in a racially nondiscriminatory manner.

4.05 Scholarship and loan programs. As a general rule, all scholarship or other comparable benefits available for use at any school must be offered on a racially nondiscriminatory basis. Their availability on this basis must be known throughout the general community being served by the school and should be referred to in the publicity required by this section in order for that school to be considered racially nondiscriminatory as to students. Scholarships and loans that are made pursuant to financial assistance programs favoring members of one or more racial minority groups that are designed to promote a school's racially nondiscriminatory policy won't adversely affect the school's exempt status.

Financial assistance programs favoring members of one or more racial groups that don't significantly derogate from the school's racially nondiscriminatory policy similarly won't adversely affect the school's exempt status.

4.06 Certification. An individual authorized to take official action on behalf of a school that claims to be racially nondiscriminatory as to students is required to certify annually, under penalties of perjury, that to the best of his or her knowledge and belief the school has satisfied the applicable requirements of sections 4.01 through 4.05, Rev. Proc. 75-50, 1975-2 C.B. 587, as modified by Rev. Proc. 2019-22, 2019-22 I.R.B. 1260. This certification is line 7, Schedule E.

4.07 Faculty and staff. The existence of a racially discriminatory policy for employment of faculty and administrative staff is indicative of a racially discriminatory policy as to students. On the other hand, the absence of racial discrimination in employment of faculty and administrative staff is indicative of a racially nondiscriminatory policy as to students.

7.01 Specific records. Except as provided in section 7.03, each exempt private school must maintain for a minimum period of 3 years, beginning with the year after the year of compilation or acquisition, the following records for the use of the IRS on proper request.

1. Records indicating the racial composition of the student body, faculty, and administrative staff for each academic year.

2. Records sufficient to document that scholarship and other financial assistance is awarded on a racially nondiscriminatory basis.

3. Copies of all brochures, catalogues, and advertising dealing with student admissions, programs, and scholarships. Schools advertising nationally or in a large geographic segment or segments of the United States need only maintain a record sufficient to indicate when and in which publications their advertisements were placed.

4. Copies of all materials used by or on behalf of the school to solicit contributions.

7.02 Limitation.

1. For purposes of section 7.01, the racial composition of the student body, faculty, and administrative staff may be an estimate based on the best information readily available to the school, without requiring student applicants, students, faculty, or administrative staff to submit information to the school that the school otherwise doesn't require. For each academic year, however, a record of the method by which racial composition is determined must be maintained.

2. The IRS doesn't require that a school release personally identifiable records or personal information contained therein except in accordance with the requirements of the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. section 1232g (1974). Similarly, the IRS doesn't require a school to keep records the maintenance of which is prohibited under state or federal law.

7.03 Exceptions. The records described in section 7.01 need not be independently maintained for IRS use if:

1. Substantially the same information that each of these records would provide has been included in a report or reports filed in accordance with law with an agency or agencies of federal, state, or local government, and this information is current within 1 year; and

2. The school maintains copies of these reports from which this information is readily obtainable. Records described in section 7.01 providing information not included in reports filed with an agency or agencies must be maintained by the school for IRS use.

7.04 Failure to maintain records. Failure to maintain or to produce, upon the proper request, the required records and information will create a presumption that the organization has failed to comply with these guidelines.

Part II. Supplemental Information

Use Part II to provide the narrative explanations required, if applicable, to supplement responses to Part I, lines 3, 4d, 5h, 6b, and 7. Part II may also be used to supplement other responses to questions on Schedule E (Form 990). In Part II, identify the specific line number that each response supports, in the order in which those lines appear on Schedule E (Form 990). Part II can be duplicated if more space is needed.

No substantive changes were made to Schedule F in 2022.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule F (Form 990)

Statement of Activities Outside the United States

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Schedule F (Form 990) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule F (Form 990) is used by an organization that files Form 990, Return of Organization Exempt From Income Tax, to provide information on its activities conducted outside the **United States** by the organization at any time during the **tax year**.

Activities conducted outside the United States include **grants and other assistance**; **program-related investments**; **fundraising activities**; **unrelated trade or business**; program services; investments; or **maintaining offices**, **employees**, or **agents** for the purpose of conducting any such activities in regions outside the United States.

United States is defined as the 50 states and the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, American Samoa, and the United States Virgin Islands. A "foreign country" is any sovereignty that isn't the United States.

Information is to be reported based on the geographic regions described under *Regions*, later. Report activities conducted by the organization directly or indirectly through a **disregarded entity**, or through a **joint venture** treated as a partnership.

For purposes of Schedule F (Form 990), grants and other assistance includes awards, prizes, **contributions**, noncash assistance, cash allocations, stipends, scholarships, fellowships, research grants, and similar payments and distributions made by the organization during the **tax year** to **foreign organizations**, **foreign governments**, and **foreign individuals**. It also includes **grants and other assistance** to **domestic individuals** or **domestic organizations** for the purpose of providing grants to designated foreign beneficiaries. It doesn't include salaries or other **compensation** to **employees** or payments to **independent contractors**; the payment of any benefit by a section 501(c)(9) voluntary employees' beneficiary association (VEBA) to employees of a sponsoring organization or contributing employer, if such payment is made under the terms of the VEBA trust and in compliance with section 505; or payments or other assistance to affiliates or branch offices that aren't organized as legal entities separate from the filing organization.

"Program services" are activities conducted by the organization outside the **United States** that form the basis of the organization's exemption from federal income tax. Examples of program services include, but aren't limited to, operating an orphanage, school, hospital, church, temple, mosque, or synagogue; disaster relief efforts; and providing indigent relief.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, *Checklist of Required Schedules*, line 14b, 15, or 16, must complete the appropriate parts of Schedule F (Form 990) and attach Schedule F (Form 990) to Form 990.

If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Regions

Reporting on Schedule F (Form 990) is based on the following geographic regions.

Antarctica

Central America and the Caribbean

Antigua & Barbuda, Aruba, Bahamas, Barbados, Belize, Cayman Islands, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guadeloupe, Guatemala, Haiti, Honduras, Jamaica, Martinique, Nicaragua, Panama, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago, Turks & Caicos Islands, and British Virgin Islands.

East Asia and the Pacific

Australia, Brunei, Burma, Cambodia, China (including Hong Kong), East Timor, Fiji, Indonesia, Japan, Kiribati, Korea, Laos, Malaysia, Marshall Islands, Micronesia, Mongolia, Nauru, New Zealand, North Korea, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Taiwan, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, and Vietnam.

Europe (Including Iceland and Greenland)

Albania, Andorra, Austria, Belgium, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, FYR Macedonia, Germany, Greece, Greenland, Holy See, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom (England, Northern Ireland, Scotland, and Wales).

Middle East and North Africa

Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank and Gaza, and Yemen.

North America

Canada and Mexico, but not the United States.

Russia and Neighboring States

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

South America

Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, French Guiana, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela.

South Asia

Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

Sub-Saharan Africa

Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of the Congo, Cote D'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Sao Tome & Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

If an organization's activities involve a country not listed earlier, designate the appropriate region for the country.

Specific Instructions

Part I. General Information on Activities Outside the United States

Complete Part I if the organization answered "Yes" to Form 990, Part IV, line 14b. This means the organization had aggregate revenues or expenses of more than $10,000 from or attributable to grantmaking, fundraising, business, investment, and program services outside the **United States**, or held investments outside the United States in foreign partnerships, foreign corporations, and other foreign entities with an aggregate book value of $100,000 or more at any time during the tax year.

Expenses incurred for services provided in the United States (for example, telemedicine and services provided over the Internet) that include recipients both inside and outside the **United States** shouldn't be reported in Part I.

TIP *If an organization that completes Part I made grants or provided other assistance during the **tax year** to **foreign organizations** or **foreign individuals**, it may also need to complete, as applicable, Part II or III. If the organization didn't make any such grants, it doesn't need to complete Part II or III.*

Lines 1 and 2. Complete these lines only if the organization made grants or provided other assistance directly or indirectly to **foreign organizations**, **foreign governments**, or **foreign individuals**. Indicate "Yes" or "No" regarding whether the organization maintains records to substantiate amounts, eligibility, and selection criteria used for making grants and providing other assistance. Describe how the organization monitors its grants and other assistance (and re-grants) to ensure that such **grants and other assistance** are used for proper purposes or aren't otherwise diverted from the intended use. For example, the organization can describe required periodic reports and accountings, field investigations by the organization's personnel, and third-party audits. Use Part V of this schedule for the narrative response to Part I, line 2.

Line 3. Enter the details for each type of activity conducted at any time during the **tax year** for each region on a separate line of Part I. If multiple activities are conducted per region, list each type of activity on a separate line and repeat regions in column (a) as necessary. Use the regions listed earlier.

Report investments separately. Report investments on a region-by-region basis on line 3 separately from other activities in the region. All investments for a particular region can be aggregated for this purpose. For example, all investments in South America can be reported together on one line. In reporting investments in a region, only columns (a), (d), and (f) must be completed; columns (b), (c), and (e) need not be completed with respect to investments for the tax year.

Column (a) should reflect the region of the investment. The region of a foreign investment entity is determined by its legal domicile (country whose law governs the entity's internal affairs). In the case of a foreign pass-through entity such as a foreign partnership, an organization isn't required to report the region of the underlying investments held by the pass-through entity, but can report the region based on the legal domicile of the foreign pass-through entity.

An organization need not report foreign investments indirectly held through a domestic (**United States**) pass-through entity, as the domicile of the pass-through entity isn't a foreign location. Nor does the organization need to report its investments in entities domiciled overseas but traded on a U.S. stock exchange.

The term "investments" can be used to describe the foreign activity in column (d). In column (f), report the total book value of the organization's investments for that region as of the end of the tax year. This value may be rounded off to the nearest $1,000. For instance, if the value of investments in a particular region is $35,439, the value may be reported as $35,000.

Note. Funds transferred into non-interest bearing accounts outside the **United States** to be used in the organization's program services aren't reportable as investments on Part I, line 3. However, once such funds are used for program services, they are reportable as expenditures in Part I, line 3, column (f).

Column (a). Identify each region in which the organization conducts grantmaking, investment activity, **fundraising activities**, business, program services, and other activities.

Column (b). If the organization answered "Yes" to Form 990, Part IV, line 14a, and the organization maintained offices outside the **United States**, list in this column the number of offices maintained by the organization in each region listed during the **tax year**. However, in column (b), lines 3a–3c, report the total number of offices maintained by the organization in regions outside the United States during the tax year, but don't count any one office more than once in these totals. See *Glossary* in the Instructions for Form 990 for a definition of **maintaining offices**, **employees**, or **agents**.

Column (c). If the organization answered "Yes" to Form 990, Part IV, line 14a, and the organization maintained **employees**, agents, or **independent contractors** outside the **United States**, show in this column the total number of employees, agents, and independent contractors working in each region listed during the **tax year**.

Don't include in this number any persons who serve the organization solely as volunteers. Include an employee, agent, or independent contractor in the total for each region in which that person worked during the tax year. However, in column (c), lines 3a–3c, report the total number of employees, agents, and independent contractors working outside the United States during the tax year, but don't count any one employee, agent, or independent contractor more than once in these totals. See *Glossary* in the Instructions for Form 990 for a definition of **maintaining offices**, **employees**, or **agents**.

Column (d). Specify in this column the type(s) of activity(ies), as listed here, that are conducted in or for each region. Types of activities are any of the following: grantmaking, **fundraising activities**, **unrelated trade or business**, program services, investments, **program-related investments**, conducting board meetings, or sending agents of the organization to attend and speak at seminars and conferences. If multiple activities are conducted per region, list each type of activity on a separate line and repeat regions in column (a) as necessary.

Column (e). If "program services" is the listed activity in column (d), provide a description of the specific program service.

Column (f). Enter the total amount of expenditures for activities conducted for each listed region, or the total book value of investments or **program-related investments** for that region, as of the end of the **tax year**. These amounts may be rounded off to the nearest $1,000. For instance, if the value of investments in a region is $55,341, the value may be reported as $55,000. If the organization made both expenditures and investments in a region, list the amount(s) of expenditures and the value of investments on separate lines for each type of activity in that region.

Expenditures include salaries, wages, and other employment-related costs paid to or for the benefit of **employees** located in the region; travel expenses to, from, and within the region; rent and other costs relating to offices located in the region; grants to or for recipients located in the region; bank fees and other financial account maintenance fees and costs; and payments to agents located in the region. Report expenditures based on the method used to account for them on the organization's financial statements, and describe this method in Part V.

For 2022, allocations of indirect expenditures to foreign activities aren't necessary if the organization doesn't separately track them. For example, if under a university's current accounting procedures, certain expenses associated with a study abroad program aren't separately tracked (for example, listing a study abroad program on a school website or in a paper catalog), then such expenses aren't required to be included in Part I, column (f).

TIP *An organization may have no foreign expenditures reportable in Part I, column (f), even though it is required to report an activity in Part I. For example, an organization that derives more than $10,000 of revenue from a foreign activity must report the activity in Part I, even if it incurred no expenditures for that activity.*

Part II. Grants and Other Assistance to Organizations or Entities Outside the United States

Complete Part II if the organization answered "Yes" on Form 990, Part IV, line 15. This means the organization reported on Form 990, Part IX, *Statement of Functional Expenses*, column (A), line 3, more than $5,000 of **grants and other assistance** to any particular **foreign organization** or entity (including a **foreign government**) or to a **domestic organization** or **domestic individual** for the purpose of providing grants or other assistance to a designated foreign organization or organizations.

Line 1. Enter information only for each recipient organization or entity that received more than $5,000 total of grants or assistance from the organization for the **tax year**.

Enter the details of each organization or entity on a separate line.

Report cash grants and noncash assistance in Part II based on the accounting method used to account for them on the organization's financial statements, and describe this method in Part V.

CAUTION *Don't complete Part II, line 1, column (a) or (b). However, complete columns (c) through (i) as if columns (a) and (b) were completed.*

Report grants in Part II regardless of the source of the grant funds (whether restricted or unrestricted), and regardless of whether the organization selected the grantee.

Example. EO receives a grant from a government agency, under the terms of which EO is required to submit the funds to Y, a foreign university, for research on the causes of a particular disease. EO must report the payments to Y as grant payments, regardless of whether EO selected Y as the grantee.

Column (c). Specify the region where the principal foreign office of the recipient organization or entity is located or, if the recipient has no foreign office, the region where the grant funds were or will be used. See *Regions*, earlier.

Column (d). Describe the purpose or ultimate use of the grant funds. Don't use general terms, such as charitable, educational, religious, or scientific. Use more specific descriptions, such as general support, school or hospital construction, purchase of medical supplies or equipment, purchase of school books or school supplies, provision of clothing, food, etc. In the case of specific disaster assistance, include a description of the disaster, such as tsunami or earthquake.

Column (e). Enter the total dollar amount of cash grants, in U.S. dollars, to each recipient organization or entity for the **tax year**. Cash grants include grants or allocations paid by cash, check, money order, wire transfer, and other charges against funds on deposit at a financial institution.

TIP *If the organization checks "Accrual" on Form 990, Part XII, line 1; follows **Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958)** (formerly SFAS 116) (see instructions for Form 990, Part IX); and makes a grant during the **tax year** to be paid in future years to an organization or government outside the **United States**, it should report the grant's present value in Part II, line 1, column (e) or (g), and report any accruals of present value increments in future years.*

Column (f). Describe the manner of cash disbursement (or, for organizations

using the accrual method of accounting, the intended manner of cash disbursement), such as by cash payment, money order, electronic fund or wire transfer, check, other charges against funds on deposit at a financial institution, or other. List all that apply for each recipient.

Column (g). Enter the **fair market value** (FMV) of any noncash property in U.S. dollars.

Column (h). For noncash property or assistance, enter a description of the property or assistance. List all that apply. Examples of noncash assistance include medical supplies or equipment, pharmaceuticals, blankets, books, or other educational supplies.

Column (i). Describe the method of valuation. Report property with a readily determinable market value at its **FMV**. When FMV can't be readily determined, use an appraised or estimated value.

Line 2. Add the number of recipient organizations listed on Part II, line 1, of Schedule F (Form 990):

- That are recognized by the IRS as exempt from federal income tax as described in section 501(c)(3);
- That are recognized as a charity by a foreign country; or
- For which the grantmaker has made a good faith determination, based on an affidavit from the grantee or the opinion of counsel, that the grantee is the equivalent of a public charity.

Then, enter the total.

Line 3. Add the number of recipient organizations listed on Part II, line 1, of Schedule F (Form 990) that aren't described on line 2. Enter the total.

Part III. Grants and Other Assistance to Individuals Outside the United States

Complete Part III if the organization answered "Yes" on Form 990, Part IV, line 16. This means that the organization reported on Form 990, Part IX, column (A), line 3, more than $5,000, in the aggregate, of **grants and other assistance** to **foreign individuals** and to **domestic organizations** or **domestic individuals** for the purpose of providing grants or other assistance to a designated foreign individual or individuals.

Enter information for **grants and other assistance** made directly to **foreign individuals**, or directly to **foreign organizations** for the benefit of specified foreign individuals. Don't complete Part III for grants and other assistance to foreign individuals through a foreign organization unless the grant or assistance is earmarked for the benefit of one or more specific individuals. Instead, complete Part II for such grants and other assistance. For example, report in Part III a payment to a foreign hospital designated to cover the medical expenses of a foreign individual. Report in Part II a **contribution** to a foreign hospital to provide a service to the general public or to serve unspecified charity patients.

Enter the details of each type of grant or assistance to individuals on a separate line.

Report cash grants and noncash assistance in Part III based on the accounting method used to account for them on the organization's financial statements, and describe this method in Part V.

Report grants in Part III regardless of the source of the grant funds (whether restricted or unrestricted), and regardless of whether the organization selected the grantee.

Column (a). Specify type(s) of assistance provided, or describe the purpose or use of grant funds. List all that apply for each region. Don't use general terms, such as charitable, educational, religious, or scientific. Use more specific descriptions, such as scholarships, food, clothing, shelter for indigents or disaster victims, direct cash assistance to indigents, medical supplies or equipment, books or other educational supplies, etc. In the case of specific disaster assistance, include a description of the disaster, such as tsunami or earthquake.

Column (b). List each region in which **grants and other assistance** were provided to or for **foreign individuals**. See *Regions*, earlier.

Column (c). For each type of assistance provided in each region listed, enter the number of recipients that received the type of assistance in that region. If the filing organization doesn't have a way to determine a specific number, estimate the number. Explain in Part V how the organization arrived at the estimate.

Column (d). Enter the total amount of cash grants, in U.S. dollars, provided to or for recipients in each region for each type of assistance. Cash grants include only grants or allocations paid by cash, checks, money orders, electronic funds or wire transfers, and other charges against funds on deposit at a financial institution.

TIP *If the organization checks "Accrual" on Form 990, Part XII, line 1; follows **Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958)** (formerly SFAS 116) (see instructions for Form 990, Part IX); and makes a grant during the **tax year** to be paid in future years to an individual outside the **United States**, it should report the grant's present value in Part III, column (d) or (f), and report any accruals of present value increments in future years.*

Column (e). Describe the manner of cash disbursement (or, for organizations using the accrual method of accounting, the intended manner of cash disbursement), such as by cash payment, money order, electronic fund or wire transfer, check, other charges against funds on deposit at a financial institution, or other. List all that apply for each region.

Column (f). Enter the **FMV** of noncash property in U.S. dollars for each type of assistance. If multiple properties were transferred for the type of assistance, enter information for each.

Column (g). For noncash property, enter a description of the property. If multiple properties were transferred, enter a description of each.

Column (h). Describe the method of valuation. Report property with a readily determinable market value at its **FMV**. When FMV can't be readily determined, use an appraised or estimated value.

Part IV. Foreign Forms

All Schedule F (Form 990) filers must complete Part IV, lines 1–6. If the organization answers "Yes" to any of lines 1–6 because it engaged in the activities described on that line during the **tax year**, it may need to file the form referenced on that line. To determine whether an organization is required to file any of the IRS forms referenced on lines 1–6 (Form 926, 3520, 3520-A, 5471, 5713, 8621, or 8865), see the instructions for those forms. Don't attach Form 3520, 3520-A, or 5713 to Form 990.

Part V. Supplemental Information

Use Part V to provide narrative information required to supplement responses in:

- Part I, line 2, regarding the organization's procedures for monitoring the use of its grants and other assistance outside the **United States**;
- Part I, line 3, column (f), regarding the method used to account for expenditures on the organization's financial statements;
- Part II, line 1, regarding the method used to account for cash grants and noncash assistance on the organization's financial statements;
- Part III, regarding the method used to account for cash grants and noncash assistance on the organization's financial statements; and
- Part III, column (c), regarding the estimated number of recipients.

Provide other narrative explanations and descriptions, as needed.

Identify the specific part and line(s) that the response supports.

No substantive changes were made to Schedule G in 2022.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule G (Form 990)

Supplemental Information Regarding Fundraising or Gaming Activities

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Schedule G (Form 990) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule G (Form 990) is used by an organization that files Form 990 or Form 990-EZ to report **professional fundraising services**, **fundraising events**, and **gaming**.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, *Checklist of Required Schedules*, line 17, 18, or 19, or meets the criteria for Form 990-EZ filers described below, must complete the appropriate parts of Schedule G (Form 990) and attach Schedule G to Form 990 or Form 990-EZ, as applicable.

- Complete *Part I* if the organization answered "Yes" on Form 990, Part IV, line 17, because the organization reported a total of more than $15,000 of expenses for **professional fundraising services** on Form 990, Part IX, *Statement of Functional Expenses*, lines 6 and 11e. Form 990-EZ filers aren't required to complete *Part I*.
- Complete *Part II* if the organization (1) answered "Yes" on Form 990, Part IV, line 18, because the organization reported a total of more than $15,000 of fundraising event gross income and **contributions** on Form 990, Part VIII, *Statement of Revenue*, lines 1c and 8a; or (2) reported more than $15,000 of **fundraising event** contributions and gross income on Form 990-EZ, Part I, lines 1 and 6b.
- Complete *Part III* if the organization (1) answered "Yes" on Form 990, Part IV, line 19, because the organization reported more than $15,000 of gross income from **gaming** activities on Form 990, Part VIII, line 9a; or (2) reported more than $15,000 of gross income from gaming on Form 990-EZ, Part I, line 6a.

If an organization isn't required to file Form 990 or Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Fundraising Activities

Complete this part if the organization reported a total of more than $15,000 of expenses for **professional fundraising services** on Form 990, Part IX, lines 6 and 11e. Form 990-EZ filers aren't required to complete *Part I*.

Line 1. Check the box in front of each method of fundraising used by the organization to raise funds during the **tax year**.

Line 2a. Check "Yes" if at any time during the **tax year** the organization had a written or oral agreement with another person or entity in connection with **professional fundraising services**. Do not include an **officer**, **director**, **trustee**, or **employee** who conducts professional fundraising services solely in his or her capacity as an officer, director, trustee, or employee of the organization.

The organization must report all agreements for professional fundraising services regardless of the form of agreement (written or oral). For example, an organization that had a written contract with a business to supply printing and mailing services would report that agreement here if the business also provided to the organization professional fundraising services such as strategy on mailing.

Line 2b. If "Yes" is checked on line 2a, list in column (i) the 10 highest paid individuals or entities who were each to be compensated at least $5,000 by the organization for **professional fundraising services** provided during the **tax year**, and the business address of each individual or entity.

Column (ii). Enter the type(s) of **fundraising activities** for which the professional fundraiser performed services.

Report the fundraising activities consistently with terms used by the organization in the management of its fundraising program. For example, if an organization contracts with a single fundraiser to advise on and coordinate all of its direct mail fundraising, it might enter "consults on direct mail program." If a consultant were hired to perform data analysis for all aspects of an organization's public solicitation, it might enter "provides database consulting for direct mail, telephone, Internet, and email."

Column (iii). For this purpose, custody or control means possession of the funds or the authority to deposit, direct the use of, or use the funds. Describe the custody or control arrangement in *Part IV*.

Column (iv). Enter the gross receipts connected to the services provided by the fundraiser listed in column (i) and received by the organization, or by the fundraiser on the organization's behalf, during the **tax year**.

A professional fundraiser can deliver services during the tax year and be properly reported on line 2b but have no gross receipts to report in column (iv). For example, an organization may retain a fundraiser to conduct a feasibility study for a capital campaign. The campaign, if there were to be one, could be conducted in, and produce receipts in, subsequent tax years. Likewise, a fundraiser might be hired to plan and produce programming for a media campaign. Fees would be properly reported in the tax year, but there might be no receipts to report until subsequent years when the programming actually airs. In each case, the organization can properly report a "-0-" in column (iv).

Column (v). Enter the dollar amounts in fees paid to or fees withheld by the fundraiser for its **professional fundraising services**.

If the agreement provides for the payment of fees and also for the payment of fundraising expenses, such as printing, paper, envelopes, postage, mailing list rental, and equipment rental, the organization must report such amounts paid during the year in *Part IV* and

describe how the agreement distinguishes payments for professional fundraising services from expense payments or reimbursements. Also describe in *Part IV* whether the organization entered into any arrangements with fundraisers under which the organization made payments exclusively for such expenses but not for professional fundraising services. If the agreement doesn't distinguish between fees for professional fundraising services and payment of fundraising expenses, then the organization must report in column (v) the gross amount paid to (or withheld by) the fundraiser.

Column (vi). Subtract column (v) from column (iv).

Line 3. List all states in which the organization is registered or licensed to solicit **contributions**, or has been notified that it is exempt from such registration or licensing.

Part II. Fundraising Events

Complete this part if the sum of the amounts reported on Form 990, Part VIII, lines 1c and 8a, exceeds $15,000, or if the sum of the amounts reported on Form 990-EZ, line 6b and the line 6b parenthetical exceeds $15,000. List only **fundraising events** with gross receipts greater than $5,000 that the organization conducted at any time during the **tax year**.

List the two largest fundraising events with gross receipts greater than $5,000 each in columns (a) and (b). In column (c), enter the total number of other events with gross receipts greater than $5,000 each and report revenue and expenses from these events in the aggregate. If no events other than those listed in columns (a) and (b) exceeded the $5,000 threshold, enter "None."

Report revenue and expenses attributable to gaming in *Part III*, rather than in *Part II*.

Revenue

Line 1. Enter the total amount the organization received from the two largest fundraising events with gross receipts greater than $5,000 each in columns (a) and (b) during the **tax year** without subtracting any costs, expenses, or **contributions** received in connection with the **fundraising event**. Enter in column (c) the total amount the organization received from all other events with gross receipts greater than $5,000 during the tax year without subtracting any costs, expenses, or contributions received in connection with the events. Enter the sum of columns (a), (b), and (c) in column (d).

Line 2. Enter the total amount of **contributions**, gifts, and similar amounts (including the total value of **noncash contributions**) received by the organization for **fundraising events** in columns (a) and (b) during the **tax year**. Enter in column (c) the total amount of contributions, gifts, and similar amounts received by the organization from all other fundraising events with gross receipts greater than $5,000 during the tax year. Enter the sum of columns (a), (b), and (c) in column (d).

Line 3. Enter the gross income (gross receipts less **contributions**) from events listed without reduction for catering, entertainment, cost of goods sold, compensation, fees, or other expenses. Enter the total of columns (a), (b), and (c) in column (d).

Direct Expenses

Enter the expense amount in the appropriate column (a) through (c) for events with gross receipts greater than $5,000 each. Enter the total of columns (a), (b), and (c) in column (d).

Line 4. Enter the total amount paid out as cash prizes.

Line 5. Enter the **fair market value** of the noncash prizes paid or given out for each **fundraising event**.

Line 6. Enter the expenses paid or incurred for the rent or lease of property or facilities.

Line 7. Enter the expenses paid or incurred for food and beverages. Include all direct expenses such as catering.

Line 8. Enter the expenses paid or incurred for entertainment, including direct expenses for labor and wages.

Line 9. Enter the amount of other direct expense items for **fundraising events** not included in *Part II*, lines 4 through 8. The organization should retain in its records an itemized list of all other direct expenses not included on lines 4 through 8. For labor costs and wages, include the total amount of compensation paid to fundraising event workers or paid **independent contractors** for labor costs.

Line 10. Add lines 4 through 9 in column (d).

Line 11. Subtract line 10 from line 3, column (d). If line 10 is more than line 3, column (d), and the result is less than zero, enter it in parentheses.

Part III. Gaming

Complete this part if the organization reported more than $15,000 from gaming on Form 990, Part VIII, line 9a, or Form 990-EZ, line 6a.

Treat all **bingo** as a single event for column (a) and all **pull tabs** as a single event for column (b). Include all revenue and expenses for progressive bingo, **instant bingo**, and event bingo in column (b).

Include in column (c) all other types of gaming not included in column (a) or (b).

Complete *Part III* for each type of **gaming** conducted.

Revenue

Line 1. Enter the gross revenue (gross receipts less **contributions**) for each type of **gaming** conducted without reduction for cash or noncash prizes, cost of goods sold, **compensation**, fees, or other expenses. Enter the total of columns (a) through (c) in column (d).

Direct Expenses

Enter the expense amount in the appropriate column (a) through (c) for each type of **gaming** conducted. Enter the total of columns (a) through (c) in column (d).

Line 2. Enter the total amount paid out as cash prizes.

Line 3. Enter the **fair market value** of the noncash prizes paid or given out for each type of **gaming** conducted.

Line 4. Enter the expenses paid or incurred for the rent or lease of property or facilities.

Line 5. Enter the amount of other direct expense items for **gaming** not included on lines 2 through 4. The organization should retain in its records an itemized list of all other direct expenses not included on lines 2 through 4. Mandatory distributions should be shown on line 17.

The itemized list of direct expenses should include the following.

- Labor costs and wages, including the total **compensation** paid to gaming workers or **independent contractors** for labor costs.
- Employer's share of federal, state, and local payroll taxes paid for the tax year for gaming workers, including social security and Medicare taxes, state and federal unemployment taxes, and other state and local payroll taxes.
- Excise taxes, including any wagering tax paid with Form 730, Monthly Tax Return for Wagers, and any occupational tax paid with Form 11-C, Occupational Tax and Registration Return for Wagering.

Line 6. If substantially all of the organization's work in conducting a type of **gaming** is performed by **volunteers**, check "Yes" and enter the percentage of total workers who are volunteers for each type of gaming conducted. The percentage is determined by dividing the number of volunteers for each type of gaming by the total number of workers for that type of gaming, both paid and unpaid.

Line 7. Enter the total of lines 2 through 5 in column (d).

Line 8. Subtract line 7 from line 1, column (d). If line 7 is more than line 1, column (d), and the result is less than zero, enter it in parentheses.

For Form 990 filers, the amounts reported on line 1, column (d), line 7, and line 8 must equal the amounts reported on Form 990, Part VIII, lines 9a, b, and c, respectively.

Line 9. Enter all states in which the organization conducted **gaming** during the **tax year**, including states in which the organization solicited residents to participate in gaming activity. If the organization needs more space, use *Part IV*.

Line 9a. Check "Yes" only if the organization is licensed or otherwise registered to conduct **gaming** in each state listed on line 9.

Line 9b. If the organization isn't licensed or otherwise registered to conduct **gaming** in any state listed on line 9, explain in the space provided. If the organization needs more space, use *Part IV*.

Line 10a. Check "Yes" if any of the organization's **gaming** licenses were revoked, suspended, or terminated during the **tax year**.

Line 10b. Provide an explanation for each state in which the organization's **gaming** license or registration was revoked, suspended, or terminated during the **tax year**. If the organization needs more space, use *Part IV*.

Line 11. If any nonmembers participated in **gaming** conducted by the organization during the **tax year**, check "Yes." Membership is determined in accordance with the organization's organizing documents and applicable law. For purposes of this question, bona fide guests of members attending with them should also be treated as members. "Bona fide guests" are individuals whom the member invites and for whom the member pays. If, for example, a nonmember pays for his or her own wagers in gaming activities, he or she is considered a nonmember, even though he or she may have entered the organization's premises with a member. Also, if an organization requires only a nominal payment to join as a "member," individuals making such a payment to gain admission to the organization's facilities or activities aren't considered members or bona fide guests. See Pub. 3079, Tax-Exempt Organizations and Gaming, for more information.

Line 12. If the organization is a grantor, beneficiary, or trustee of a trust or a member of a partnership or other entity formed to administer charitable **gaming**, check "Yes." For purposes of this question, "a partnership or other entity" means two or more organizations that are authorized under state law to conduct **bingo** or other gaming at the same location joining together to account for or share revenues, authorized expenses, and inventory related to bingo and gaming operations.

Line 13a. Enter the percentage of **gaming** conducted during the **tax year** in a facility or facilities owned by the organization. The facility or facilities need not have been used exclusively for gaming.

Line 13b. Enter the percentage of **gaming** conducted during the year in a facility or facilities not owned by the organization.

Line 14. Enter the name and business address of the person who prepares the organization's gaming/special events books and records (or the organization's business address if the books and records are kept by such person at a personal residence). The organization isn't required to provide the address of a personal residence of an individual.

Line 15a. An organization can pay its own employees to conduct **gaming**, or contract with a third party for such services. Check "Yes" or "No" to indicate whether the organization has a contract with a third party from which it receives gaming revenue.

Line 15b. If the organization checked "Yes" to line 15a, enter the **gaming** revenue amount received by the organization and the gaming revenue amount retained by the third party. If there is more than one third-party operator, report the additional operator(s) in *Part IV*.

Line 15c. If the organization checked "Yes" to line 15a, enter the name and address of the third party. If there is more than one third-party operator, report the additional operator(s) in *Part IV*.

Line 16. Complete this line for the person who has overall supervision and management of the **gaming** operation. Generally, this person has responsibilities that can include recordkeeping, money counting, hiring and firing of workers, and making the bank deposits for the gaming operation. If the gaming manager is a **director**, **officer**, or **employee** of the organization, report only the portion of that person's compensation that is allocable to gaming management. If more than one person shares this responsibility, report the additional person(s) in *Part IV*.

Line 17a. Some states require that charitable organizations make mandatory distributions from **gaming** proceeds to obtain and retain a valid gaming license. Check "Yes" or "No" to indicate whether the organization is required to make mandatory distributions from its gaming proceeds to retain its gaming license or registration in any state.

Line 17b. For all states in which the organization conducted **gaming**, enter the aggregate amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the **tax year**. Provide a breakdown of required distributions, by each state, in *Part IV*.

For more information, see Pub. 3079.

Part IV. Supplemental Information

Use *Part IV* to provide the narrative explanations required, if applicable, to supplement responses to *Part I*, line 2b, columns (iii) and (v), and *Part III*, lines 9, 9b, 10b, 15b, 15c, 16, and 17b. *Part IV* may also be used to supplement other responses to questions on Schedule G (Form 990). In *Part IV*, identify the specific part and line number that each response supports, in the order in which those parts and lines appear on Schedule G (Form 990).

Instructions updated to use the acronym "FAP" throughout.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule H (Form 990)

This year the table of contents for Schedule H has been removed.

Hospitals

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 990 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Background. The Patient Protection and Affordable Care Act (Affordable Care Act), enacted March 23, 2010, P.L. No. 111-148, added section 501(r) to the Code. Section 501(r) includes additional requirements a **hospital organization** must meet to qualify for tax exemption under section 501(c)(3) in tax years beginning after March 23, 2010. These additional requirements address a hospital organization's financial assistance policy (FAP); policy relating to emergency medical care; billing and collections; and charges for medical care. Also, for tax years beginning after March 23, 2012, the Affordable Care Act requires hospital organizations to conduct community health needs assessments.

Because section 501(r) requires a hospital organization to meet these requirements for each of its **hospital facilities**, Part V, *Facility Information*, has been expanded to include a Section A, *Hospital Facilities*. In this section, a hospital organization must list its hospital facilities; that is, its facilities that, at any time during the **tax year**, were required to be licensed, registered, or similarly recognized as a hospital under state law. Part V also includes Section B, *Facility Policies and Practices*, for reporting of information on policies and practices addressed in section 501(r). The hospital organization must complete a separate Section B for each of its hospital facilities or facility reporting groups listed in Section A.

Section 6033(b)(15)(B) also requires hospital organizations to submit a copy of their audited financial statements to the IRS. Accordingly, a hospital organization that is required to file Form 990 must attach a copy of its most recent audited financial statements to its Form 990. If the organization was included in consolidated audited financial statements but not separate audited financial statements for the tax year, then it must attach a copy of the consolidated financial statements, including details of consolidation. See the Instructions for Form 990, Part IV, line 20b.

Part V, Section D, requires an organization to list all of its non-hospital health care facilities that it operated during the tax year, whether or not such facilities were required to be licensed or registered under state law. The organization shouldn't complete Part V, Section B, for any of these non-hospital facilities.

TIP *Sec. 501(r) final regulations are effective for tax years beginning after 12/29/15.*

Purpose of Schedule

Hospital organizations use Schedule H (Form 990) to provide information on the activities and policies of, and community benefit provided by, its **hospital facilities** and other non-hospital health care facilities that it operated during the tax year. This includes facilities operated either directly or through disregarded entities or joint ventures.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, line 20a, must complete and attach Schedule H to Form 990.

Schedule H (Form 990) must be completed by a **hospital organization** that operated at any time during the **tax year** at least one **hospital facility**. A hospital facility is one that is required to be licensed, registered, or similarly recognized by a state as a **hospital**. A hospital organization may treat multiple buildings operated by a hospital organization under a single state license as a single hospital facility.

The organization must file a single Schedule H (Form 990) that combines information from:

1. **Hospital facilities** directly operated by the organization.
2. **Hospital facilities** operated by **disregarded entities** of which the organization is the sole member.
3. Other health care facilities and programs of the hospital organization or any of the entities described in 1 or 2, even if provided separately from the hospital's license.
4. **Hospital facilities** and other health care facilities and programs operated by any **joint venture** treated as a partnership, to the extent of the hospital organization's proportionate share of the joint venture.

"Proportionate share" is defined as the ending capital account percentage listed on the Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., Part II, line J, for the partnership tax year ending in the organization's tax year being reported on the organization's Form 990. If Schedule K-1 (Form 1065) isn't available, the organization can use other business records to make a reasonable estimate, including the most recently available Schedule K-1 (Form 1065), adjusted as appropriate to reflect facts known to the organization, or information used for purposes of determining its proportionate share of the venture for the organization's financial statements.

5. In the case of a **group return** filed by the hospital organization, hospital facilities operated directly by members of the **group exemption** included in the group return, hospital facilities operated by a disregarded entity of which a member included in the group return is the sole member, hospital facilities operated by a joint venture treated as a partnership to the extent of the group member's proportionate share (determined in the manner described in 4, earlier), and other health care facilities or programs of a member included in the group return even if such programs are provided separately from the hospital's license.

Example. The organization is the sole member of a disregarded entity. The disregarded entity owns 50% of a joint venture treated as a partnership. The partnership in turn owns 50% of another joint venture treated as a partnership that operates a hospital and a freestanding outpatient clinic that isn't part of the hospital's license. (Assume the proportionate shares of the partnerships based on capital account percentages listed on the partnerships' Schedule K-1 (Form 1065), Part II, line J, are also 50%.) The organization would report 25% (50% of 50%) of the hospital's and outpatient clinic's combined information on Schedule H (Form 990).

Note that while information from all the above sources is combined for purposes of Schedule H (Form 990), the organization is required to list and provide information regarding each of its **hospital facilities** in Part V, Sections A, B, and C, whether operated directly by the organization or through a disregarded entity or joint venture treated as a partnership. In addition, the organization must list in Part V, Section D, each of its other health care facilities (for example, rehabilitation clinics, other outpatient clinics, diagnostic centers, skilled nursing facilities) that it operated during the tax year, whether operated directly by the organization or through a disregarded entity or a joint venture treated as a partnership.

Organizations aren't to enter information from hospitals located outside the **United States** in Parts I, II, III, or V. Information from foreign joint ventures and partnerships *must* be reported in Part IV, *Management Companies and Joint Ventures*. Information concerning foreign hospitals and facilities *may* be described in Part VI.

Except as provided in Part IV, don't report on Schedule H (Form 990) information from an entity organized as a separate legal entity from the organization and treated as a corporation for federal income tax purposes (except for members of a group exemption included in a group return filed by the organization), even if such entity is affiliated with or otherwise related to the organization (for example, part of an affiliated health care system).

If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

An organization that didn't operate one or more facilities during the **tax year** that satisfy the definition of hospital facility above shouldn't file Schedule H (Form 990).

TIP *The definition of "hospital" for Schedule A (Form 990), Public Charity Status and Public Support, Part I, line 3, and the definition of "hospital" for Schedule H (Form 990) aren't the same. Accordingly, an organization that checks box 3 in Part I of Schedule A (Form 990) to enter that it is a hospital or cooperative hospital service organization must complete and attach Schedule H to Form 990 only if it meets the definition of* ***hospital facility*** *for purposes of Schedule H (Form 990), as explained above.*

Specific Instructions

Part I. Financial Assistance and Certain Other Community Benefits at Cost

Part I requires reporting of financial assistance policies, the availability of community benefit reports, and the cost of financial assistance and other community benefit activities and programs. Worksheets and accompanying instructions are provided at the end of the instructions to this schedule to assist in completing the table in Part I, line 7.

Line 1. An FAP, sometimes referred to as a charity care policy, is a policy describing how the organization will provide financial assistance at its hospital(s) and other facilities, if any. Financial assistance includes free or discounted health services provided to persons who meet the organization's criteria for financial assistance and are unable to pay for all or a portion of the services. Financial assistance doesn't include: bad debt or uncollectible charges that the organization recorded as revenue but wrote off due to a patient's failure to pay, or the cost of providing such care to such patients; the difference between the cost of care provided under Medicaid or other means-tested government programs or under Medicare and the revenue derived therefrom; self-pay or prompt pay discounts; or contractual adjustments with any third-party payers.

Line 2. Check only one of the three boxes. "Applied uniformly to all hospitals" means that all of the organization's **hospital facilities** use the same FAP. "Applied uniformly to most hospitals" means that the majority of the organization's hospital facilities use the same FAP. "Generally tailored to individual hospitals" means that the majority of the organization's hospital facilities use different financial assistance policies. If the organization operates only one hospital facility, check "Applied uniformly to all hospitals."

Line 3. Answer lines 3a, 3b, and 3c, based on the financial assistance eligibility criteria that apply to (1) the largest number of the organization's patients based on patient contacts or encounters, or (2) if the organization doesn't operate its own **hospital facility**, the largest number of patients of a hospital facility operated by a **joint venture** in which the organization has an ownership interest. For example, if the organization has two hospital facilities, use the financial assistance eligibility criteria used by the hospital facility that has the most patient contacts or encounters during the **tax year**.

Line 3a. "Federal Poverty Guidelines" (FPG) are the Federal Poverty Guidelines published annually by the U.S. Department of Health and Human Services. If the organization has established a family or household income threshold that a patient must meet or fall below to qualify for free medical care, check the box in the "Yes" column and indicate the specific threshold by checking the appropriate box. For instance, if a patient's family or household income must be less than or equal to 250% of FPG for the patient to qualify for *free care*, then check the box marked "Other" and enter "250%."

Line 3b. If the organization has established a family or household income threshold that a patient must meet or fall below to qualify for *discounted medical care*, check the box in the "Yes" column and indicate the specific threshold by checking the appropriate box.

Line 3c. If applicable, describe the other criteria used, such as asset test or other means test or threshold for free or discounted care, on Part VI, line 1, of this schedule. An "asset test" includes (i) a limit on the amount of total or liquid assets that a patient or the patient's family or household can own for the patient to qualify for free or discounted care, and/or (ii) a criterion for determining the level of discounted medical care patients can receive, depending on the amount of assets that they and/or their families or households own.

Line 4. "Medically indigent" means persons whom the organization has determined are unable to pay some or all of their medical bills because their medical bills exceed a certain percentage of their family or household income or assets (for example, due to catastrophic costs or conditions), even though they have income or assets that otherwise exceed the generally applicable eligibility requirements for free or discounted care under the organization's FAP.

Line 5. Answer lines 5a, 5b, and 5c based on the organization's budgeted amounts under its FAP.

Line 5a. Answer "Yes" if the organization established or had in place at any time during the **tax year** an annual or periodic budgeted amount of free or discounted care to be provided under its FAP. If "No," skip to line 6a.

Line 5b. Answer "Yes" if the free or discounted care the organization provided in the applicable period exceeded the budgeted amount of costs or charges for that period. If "No," skip to line 6a.

Line 5c. Answer "Yes" if the organization denied financial assistance to any patient eligible for free or discounted care under its FAP or under any of its hospital facilities' financial assistance policies because the organization's or the facility's financial assistance budget was exceeded.

Line 6. Answer lines 6a and 6b based on the community benefit report that the organization prepared for the organization as a whole during the **tax year**.

Line 6a. Answer "Yes" if the organization prepared a written report during the **tax year** that describes the organization's programs and services that promote the health of the community or communities served by the organization. If the organization's community benefit report is contained in a report prepared by a **related organization**, answer "Yes" and identify the related organization on Part VI, line 1. If "No," skip to line 7.

Line 6b. Answer "Yes" if the organization made the community benefit report it prepared during the **tax year** available to the public.

TIP *Examples of how an organization can make its community benefit report available to the public are to post the report on the organization's website and to make a paper copy of the community health needs assessment (CHNA) report available for public inspection upon request and without charge at the hospital facility.*

Lines 7a through 7k. Enter on the table (lines 7a through 7k), at cost, the organization's financial assistance (as defined in the instructions for line 1) and certain other community benefits (as defined in the instructions to Worksheets 1-8). Enter on line 7i contributions that the organization restricts, in writing, to one or more of the community benefit activities listed on lines 7a through 7h. Don't enter such contributions on lines 7a through 7h. To calculate the amounts to be entered on the table, use the worksheets or other equivalent documentation that substantiates the information entered consistent with the methodology used on the worksheets. Don't include bad debt in these amounts. Bad debt will be entered in Part III.

TIP *If the organization completed worksheets other than on a combined basis (for example, facility by facility, joint venture by joint venture), the organization should combine all information from these worksheets for purposes of entering amounts on the table. Only the portion of each* ***joint venture*** *or partnership that represents the organization's proportionate share, based on capital interest, can be entered on lines 7a through 7k. See* Purpose of Schedule *for instructions on aggregation.*

Use the organization's most accurate costing methodology (cost accounting system, cost-to-charge ratio, or other) to calculate the amounts entered on the table. If the organization uses a cost-to-charge ratio, it can use Worksheet 2, Ratio of Patient Care Cost to Charges, for this purpose. See the instructions for Part VI, line 1, regarding an explanation of the costing methodology used to calculate the amounts entered on the table.

If the organization included any costs for a physician clinic as subsidized health services on Part I, line 7g, enter these costs on Part VI, line 1.

If the organization included any bad debt expense on Form 990, Part IX, line 25, but subtracted this bad debt for purposes of calculating the amount entered on line 7, column (f), enter this bad debt expense on Part VI, line 1.

The following are descriptions of the type of information reported in each column of the table.

Column (a). "Number of activities or programs" means the number of the organization's activities or programs conducted during the year that involve the community benefit entered on the line. Enter each activity and program on only one line so that it isn't counted more than once. Entering in this column is optional.

Column (b). "Persons served" means the number of patient contacts or encounters in accordance with the filing organization's records. Persons served can be entered in multiple rows, as services across different categories may be provided to the same patient. Entering in this column is optional.

Column (c). "Total community benefit expense" means the total gross expense of the activity incurred during the year, calculated by using the pertinent worksheets for each line item. "Total community benefit expense" includes both "direct costs" and "indirect costs." "Direct costs" means salaries and benefits, supplies, and other expenses directly related to the actual conduct of each activity or program. "Indirect costs" means costs that are shared by multiple activities or programs, such as facilities and administrative costs related to the organization's infrastructure (space, utilities, custodial services, security, information systems, administration, materials management, and others).

Column (d). "Direct offsetting revenue" means revenue from the activity during the year that offsets the total community benefit expense of that activity, as calculated on the worksheets for each line item. "Direct offsetting revenue" includes any revenue generated by the activity or program, such as payment or reimbursement for services provided to program patients.

"Direct offsetting revenue" also includes restricted grants or contributions that the organization uses to provide a community benefit, such as a restricted grant to provide financial assistance or fund research. "Direct offsetting revenue" doesn't include unrestricted grants or contributions that the organization uses to provide a community benefit. Organizations may describe any inconsistencies from reporting in prior years in Part VI.

Examples. The organization receives a restricted grant from an unrelated organization that must be used by the organization to provide financial assistance. The amount of the restricted grant is entered as direct offsetting revenue on line 7a, column (d).

The organization receives an unrestricted grant from an unrelated organization. The organization decides to use the grant to increase the amount of financial assistance it provides. The amount of the unrestricted grant isn't entered as direct offsetting revenue on line 7a, column (d).

Columns (e) and (f). Don't enter negative numbers. If the net community benefit expense is less than $0, enter "0." Similarly, don't enter a negative percent in column (f), but enter "0."

Group return filers. The "total expense" denominator for purposes of determining the percent of total expense for column (f) is the amount entered on Form 990, Part IX, line 25, column (A), of the group return.

TIP *Column (f) "percent of total expense" is based on column (e) "net community benefit expense," rather than column (c) "total community benefit expense." Organizations that enter amounts of direct offsetting revenue might also wish to enter total community benefit expense (Part I, line 7, column (c)) as a percentage of total expenses. Although*

Reference to definitions in worksheets 1-8 was added, and sentence listing types of community benefit was removed. This appears to be a stylistic change only.

Worksheets are no longer referred to as "Optional" in title, though the instructions continue to state that use of the worksheets is not required.

this percentage cannot be entered on Part I, line 7, column(f), it can be entered on Schedule H (Form 990), Part VI, line 1.

Worksheets for Part I, Line 7 (*Financial Assistance and Certain Other Community Benefits at Cost*)

Worksheets 1 through 8 give the definitions of community benefit to be used in completing Schedule H (Form 990), Part I, lines 7a through 7k. Use of the worksheets isn't required, and the organization can use alternative equivalent documentation, provided that the methodology described in these instructions (including the instructions to the worksheets) is followed. Regardless of whether the worksheets or alternative equivalent documentation is used to compile and enter the required information, such documentation should not be filed with Form 990 but must be retained by the organization to substantiate the information entered on Schedule H (Form 990). The worksheets or alternative equivalent documentation are to be completed using the organization's most accurate costing methodology, which can include a cost accounting system, cost-to-charge ratios, a combination thereof, or some other method.

If the organization is filing a group return or has a disregarded entity or an ownership interest in one or more **joint ventures**, the organization may find it helpful to complete the worksheets separately for the organization and for each disregarded entity, joint venture in which the organization had an ownership interest during the **tax year**, and group affiliate. In that case, the organization should combine all information from the worksheets for purposes of completing line 7. Complete the table by combining amounts from the organization's worksheets, amounts from disregarded entities or group affiliates, and amounts from joint ventures that are attributable to the organization's proportionate share of each joint venture, under the aggregation instruction in *Purpose of Schedule*.

See Worksheets 1 through 8 and specific instructions for the worksheets later in these instructions.

Part II. Community Building Activities

Enter in this part the costs of the organization's activities that it engaged in during the tax year to protect or improve the community's health or safety, and that aren't entered in Part I of this schedule. Some community building activities may also meet the definition of a community health improvement service, as defined in Worksheet 4. Don't enter in Part II community building costs that are entered on Part I, line 7e. An organization that enters information in this Part II must describe in Part VI how its community building activities promote the health of the communities it serves.

If the filing organization makes a grant to an organization to be used to accomplish one of the community building activities listed in this part, then the organization should include the amount of the grant on the appropriate line in Part II. If the organization makes a grant to a **joint venture** in which it has an ownership interest to be used to accomplish one of the community building activities listed in this part, enter the grant on the appropriate line in Part II, but don't include in Part II the organization's proportionate share of the amount spent by the joint venture on such activities to avoid double counting.

Line 1. "Physical improvements and housing" include, but aren't limited to, the provision or rehabilitation of housing for vulnerable populations, such as removing building materials that harm the health of the residents, neighborhood improvement or revitalization projects, provision of housing for vulnerable patients upon discharge from an inpatient facility, housing for low-income seniors, and the development or maintenance of parks and playgrounds to promote physical activity.

Line 2. "Economic development" can include, but isn't limited to, assisting small business development in neighborhoods with vulnerable populations and creating new employment opportunities in areas with high rates of joblessness.

Line 3. "Community support" can include, but isn't limited to, child care and mentoring programs for vulnerable populations or neighborhoods, neighborhood support groups, violence prevention programs, and disaster readiness and public health emergency activities, such as community disease surveillance or readiness training beyond what is required by accrediting bodies or government entities.

Line 4. "Environmental improvements" include, but aren't limited to, activities to address environmental hazards that affect community health, such as alleviation of water or air pollution, safe removal or treatment of garbage or other waste products, and other activities to protect the community from environmental hazards. The organization cannot include on this line or in this part expenditures made to comply with environmental laws and regulations that apply to activities of itself, its disregarded entity or entities, a **joint venture** in which it has an ownership interest, or a member of a **group exemption** included in a **group return** of which the organization is also a member. Similarly, the organization cannot include on this line or in this part expenditures made to reduce the environmental hazards caused by, or the environmental impact of, its own activities, or those of its disregarded entities, joint ventures, or group exemption members, unless the expenditures are for an environmental improvement activity that (i) is provided for the primary purpose of improving community health; (ii) addresses an environmental issue known to affect community health; and (iii) is subsidized by the organization at a net loss. An expenditure may not be entered on this line if the organization engages in the activity primarily for marketing purposes.

Line 5. "Leadership development and training for community members" includes, but isn't limited to, training in conflict resolution; civic, cultural, or language skills; and medical interpreter skills for community residents.

Line 6. "Coalition building" includes, but isn't limited to, participation in community coalitions and other collaborative efforts with the community to address health and safety issues.

Line 7. "Community health improvement advocacy" includes, but isn't limited to, efforts to support policies and programs to safeguard or improve public health, access to health care services, housing, the environment, and transportation.

Line 8. "Workforce development" includes, but isn't limited to, recruitment of physicians and other health professionals to medical shortage areas or other areas designated as underserved, and collaboration with educational institutions to train and recruit health professionals needed in the community (other than the health professions education activities entered on Part I, line 7f).

Line 9. "Other" refers to community building activities that protect or improve the community's health or safety that aren't described in the categories listed on lines 1 through 8 above. Examples might include, but are not limited to, spending on food security, nutrition, and other social determinants of health.

Refer to the instructions to Part I, line 7, columns (a) through (f), for descriptions of the types of information that should be entered in each column of Part II.

If the organization is filing a **group return** or has a **disregarded entity** or an ownership interest in one or more **joint ventures**, the organization may find it helpful to complete Part II separately for itself and for each disregarded entity, joint venture in which the organization had an ownership interest during the tax year, and group affiliate. The organization should

"Community benefit" changed to "community health improvement service, as defined in Worksheet 4," for clarity.

Examples of "other" community building activities were added.

Revised Statement title

combine the amounts from all such tables, according to the combined instructions in *Purpose of Schedule*, and include the combined information in Part II.

Part III. Bad Debt, Medicare, and Collection Practices

Section A

In this section, (a) enter combined bad debt expense; (b) provide an estimate of how much bad debt expense, if any, reasonably could be attributable to persons who likely would qualify for financial assistance under the organization's FAP; and (c) provide a rationale for what portion of bad debt, if any, the organization believes is community benefit. In addition, the organization must enter whether it has adopted Healthcare Financial Management Association Statement No. 15, Valuation and Financial Presentation of Charity Care, Implicit Price Concessions and Bad Debts by Institutional Healthcare Providers ("Statement 15"), and provide the text or page number of its footnote, if applicable, to its audited financial statements that describe the bad debt expense.

Line 1. Indicate if the organization enters bad debt expense in accordance with Statement 15.

Note. Statement 15 hasn't been adopted by the American Institute of Certified Public Accountants (AICPA). The IRS doesn't require organizations to adopt Statement 15 or use it to determine bad debt expense or financial assistance costs. Some organizations may rely on Statement 15 in reporting bad debt expense and financial assistance in their audited financial statements. Statement 15 provides instructions for recordkeeping, valuation, and disclosure for bad debts.

Line 2. Use the most accurate system and methodology available to the organization to enter bad debt expense. If only a portion of a patient's bill for services is written off as a bad debt, include only the proportionate amount attributable to the bad debt. Include the organization's proportionate share of the bad debt expense of **joint ventures** in which it had an ownership interest during the **tax year**.

Describe in Part VI the methodology used in determining the amount entered on line 2 as bad debt, including how the organization accounted for discounts and payments on patient accounts in determining bad debt expense.

Line 3. Provide an estimate of the amount of bad debt entered on line 2 that reasonably is attributable to patients who likely would qualify for financial assistance under the **hospital's** FAP as entered on Part I, lines 1 through 4, but for whom insufficient information was obtained to determine their eligibility. **Don't include this amount in Part I, line 7.** Organizations can use any reasonable methodology to estimate this amount, such as record reviews, an assessment of financial assistance applications that were denied due to incomplete documentation, analysis of demographics, or other analytical methods.

Describe in Part VI the methodology used to determine the amount entered on line 3 and the rationale, if any, for including any portion of bad debt as community benefit.

Line 4. In Part VI, provide the footnote from the organization's **audited financial statements** on bad debt expense, if applicable, or the footnotes related to "accounts receivable," "allowance for doubtful accounts," or similar designations. Alternatively, enter the page number(s) on which the footnote or footnotes appear in the organization's most recent audited financial statements, which must be attached to this return. If the footnote or footnotes address only the filing organization's bad debt expense or "accounts receivable," "allowance for doubtful accounts," or similar designations, provide the exact wording of the footnote or footnotes, or enter the page number(s) in which the footnote or footnotes appear in the attached audited financial statements.

If the organization's financial statements include a footnote on these issues that also includes other information, enter in Part VI only the relevant portions of the footnote. If the organization is a member of a group with consolidated financial statements, the organization can summarize that portion, if any, of the footnote or footnotes that apply. If the organization's financial statements don't include a footnote that discusses bad debt expense, "accounts receivable," "allowance for doubtful accounts," or similar designations, include a statement in Part VI that the organization's **audited financial statements** don't include a footnote discussing these issues and explain how the organization's financial statements account for bad debt, if at all.

Section B

In this section, (a) combine allowable costs to provide services reimbursed by Medicare (don't include community benefit costs included on Part I, line 7l), (b) combine Medicare reimbursements attributable to such costs, and (c) combine Medicare surplus or shortfall. Include in Section B only those allowable costs and Medicare reimbursements that are reported in the organization's Medicare Cost Report(s) for the year, including its share of any such allowable costs and reimbursement from **disregarded entities** and **joint ventures** in which it has an ownership interest. Don't include any Medicare-related expenses or revenue properly entered on Part I, line 7f or 7g.

In Part VI, the organization should describe what portion of its Medicare shortfall, if any, it believes should constitute community benefit, and explain its rationale for its position. As described below, the organization can also enter in Part VI the amount of any Medicare revenues and costs not included in its Medicare Cost Report(s) for the year, and can enter a reconciliation of the amounts entered in Section B (including the surplus or shortfall entered on line 7) and the total revenues and costs attributable to all of the organization's Medicare programs.

Line 5. Enter all net patient service revenue (for Medicare fee for service (FFS) patients) associated with the allowable costs the organization entered in its Medicare Cost Report(s) for the year, including payments for indirect medical education (IME) (except for Medicare Advantage IME), Medicare disproportionate share hospital (DSH) revenue, coinsurance, patient deductible, outliers, capital, bad debt, and any other amounts paid to the organization on the basis of its Medicare Cost Report. Don't include revenue related to subsidized health services as entered on Part I, line 7g (see Worksheet 6), research as entered on Part I, line 7h (see Worksheet 7), or direct graduate medical education (GME) as entered on Part I, line 7f (see Worksheet 5). If the organization has more than one Medicare provider number, combine the revenue attributable to costs reported on the Medicare Cost Report(s) submitted under each provider number, and enter the combined revenues on line 5.

Line 6. Enter all Medicare allowable costs reported in the organization's Medicare Cost Report(s), except those already entered on line 7g, Part I (subsidized health services), and costs associated with direct GME already entered on line 7f, Part I (health professions education). This can be determined using Worksheet A. If Worksheet A isn't used, the organization still must subtract the costs attributable to subsidized health services and direct GME from the Medicare allowable costs it enters on line 6. If the organization has more than one Medicare provider number, it should combine the costs reported in the Medicare Cost Report(s) submitted under each provider number and enter the combined costs on line 6.

Worksheet A (Optional)

Complete Worksheets 5 and 6 before completing this Worksheet A.

1.	Total Medicare allowable costs (from Medicare Cost Report)	$
2.	Total Medicare allowable costs (from line 1) included in Worksheet 6, line 3, col. (A)	$
3.	Total Medicare allowable costs (from line 1) included in Worksheet 5, line 8 (direct GME)	$
4.	Total adjustments to Medicare allowable costs (add lines 2 and 3)	$
5.	Total Medicare allowable costs (line 1 minus line 4). Enter this value in Part III, line 6.	$

Line 7. Subtract line 6 from the amount on line 5. If line 6 exceeds line 5, enter the surplus (the shortfall) as a negative number.

TIP *Lines 5, 6, and 7 don't include certain Medicare program revenues and costs, and thus cannot reflect all of the organization's revenues and costs associated with its participation in Medicare programs. The organization can describe in Part VI the Medicare revenues and costs not included in its Medicare Cost Report(s) for the year (for example, revenues and costs for freestanding ambulatory surgery centers, physician services billed by the organization, clinical laboratory services, and revenues and costs of Medicare Part C and Part D programs). The organization can enter on Part VI, line 1, a reconciliation of amounts entered in Section B (including the surplus or shortfall entered on line 7) and all of the organization's total revenues and total expenses attributable to Medicare programs.*

Line 8. Check the box that best describes the costing methodology used to enter the Medicare allowable costs on line 6. Describe this methodology in Part VI.

The organization must also describe in Part VI its rationale for treating the amount entered on Part III, line 7, or any portion of it, as a community benefit. An organization's rationale must have a reasonable basis. **Don't include this amount on Part I, line 7.**

If the organization received any prior year settlements for Medicare-related services in the current tax year, it can provide an explanation on Part VI, line 1.

Section C

In this section, enter the organization's written debt collection policy.

Line 9a. Answer "Yes" if the organization had a written debt collection policy on the collection of amounts owed by patients during its **tax year**.

For purposes of line 9a, a "written debt collection policy" includes a written billing and collections policy, or in the case of an organization that doesn't have a separate written billing and collections policy, a written FAP that includes the actions the organization may take in the event of non-payment, including collection actions and reporting to credit agencies.

Line 9b. Answer "Yes" if the organization's written debt collection policy that applied to the facilities that served the largest number of the organization's patients during the **tax year** contained provisions for collecting amounts due from those patients who the organization knows qualify for financial assistance. If the organization answers "Yes," describe in Part VI the collection practices that it follows for such patients, whether or not such practices apply specifically to such patients or more broadly to also cover other types of patients.

Part IV. Management Companies and Joint Ventures Owned 10% or More by Officers, Directors, Trustees, Key Employees, and Physicians

List any **management company, joint venture**, or other separate entity (whether treated as a partnership or a corporation), including joint ventures outside of the **United States**, of which the organization is a partner or shareholder:

1. In which persons described in 1a and/or 1b below owned, in the aggregate, more than 10% of the share of profits of such partnership or LLC interest, or stock of the corporation:

a. Persons who were **officers**, **directors**, **trustees**, or **key employees** of the organization at any time during the organization's **tax year**, and/or

b. Physicians who were employed as physicians by, or had staff privileges with, one or more of the organization's **hospitals**; and

2. That either:

a. Provided management services used by the organization in its provision of medical care, or

b. Provided medical care, or owned or provided real property, tangible personal property, or intangible property used by the organization or by others to provide medical care.

Examples of such joint ventures and management companies include:

- An ancillary joint venture formed by the organization and its officers or physicians to conduct an exempt or unrelated business activity,
- A company owned by the organization and its officers or physicians that owns and leases to the organization a hospital or other medical care facility, and
- A company that owns and leases to entities other than the organization's diagnostic equipment or intellectual property used to provide medical care.

For purposes of Part IV, ownership interests can be direct or indirect. For example, if a joint venture reported in Part IV is owned, in part, by a physician group practice owned by staff physicians of the organization's hospital, report the physicians' indirect ownership interest in the joint venture in proportion to their ownership share of the physician group practice.

Note. Don't include publicly traded entities or entities whose sole income is passive investment income from interest or dividends.

For purposes of Part IV, the aggregate percentage share of profits or stock ownership percentage of officers, directors, trustees, key employees, and physicians who are employed as physicians by, or have staff privileges with, one or more of the organization's hospitals is measured as of the earlier of the close of the tax year of the organization or the last day the organization was a member of the joint venture. All stock, whether common or preferred, is considered stock for purposes of determining the stock ownership percentage. Provide all the information requested below for each such entity.

Column (a). Enter the full legal name of the entity.

Column (b). Describe the primary business activity or activities conducted by the **management company**, **joint venture**, or separate entity.

Column (c). Enter the organization's percentage share of profits in the partnership or LLC, or stock in the entity that is owned by the organization.

Column (d). Enter the percentage share of profits or stock in the entity owned by all of the organization's current **officers, directors, trustees,** or **key employees**.

Column (e). Enter the percentage share of profits or stock in the entity owned by all physicians who are **employees** practicing as physicians or who have staff privileges with one or more of the organization's hospitals.

If a physician described above is also a current officer, director, trustee, or key employee of the organization, include the physician's profits or stock percentage in column (d). Don't include this in column (e).

Part IV can be duplicated if more space is needed to list additional management companies and joint ventures.

Part V. Facility Information

In Part V, the organization must list all of its **hospital facilities** in Section A, complete separate Sections B and C for each of its hospital facilities or facility reporting groups listed in Section A, and list its non-hospital health care facilities in Section D.

Facility reporting groups. If the organization is able to check the same checkboxes for all Part V, Section B, questions for more than one of its hospital facilities, it may file a single Section B and Section C for all facilities in that facility reporting group. For each of those facilities, the organization would assign and list the facility reporting group letter in the "Facility reporting group" column in Section A. Assign letter A to the facility reporting group with the greatest number of facilities, letter B to the group with the second greatest number of facilities, and so forth. For instance, three hospital facilities with identical answers to the Section B checkboxes would be assigned facility group letter A, while two other hospital facilities with identical answers would be assigned facility group letter B.

Section A

Complete Part V, Section A, by listing all of the organization's **hospital facilities** that it operated during the **tax year**. List these facilities in order of size from largest to smallest, measured by a reasonable method (for example, the number of patients served or total revenue per facility). "Hospital facilities" are facilities that, at any time during the tax year, were required to be licensed, registered, or similarly recognized as a hospital under state law. A hospital facility is operated by an organization whether the facility is operated directly by the organization or through a **disregarded entity** or **joint venture** treated as a partnership. For each hospital facility, list its name, address, primary website address, and state license number (and if a group return, the name and employer identification number (EIN) of the subordinate hospital organization that operates the hospital facility), and check the applicable column(s).

"Licensed hospital" is a facility licensed, registered, or similarly recognized by a state as a hospital.

"General medical and surgical" refers to a hospital primarily engaged in providing diagnostic and medical treatment (both surgical and nonsurgical) to inpatients with a wide variety of medical conditions, and that may provide outpatient services, anatomical pathology services, diagnostic X-ray services, clinical laboratory services, operating room services, and pharmacy services.

"Children's hospital" is a center for provision of health care to children, and includes independent acute care children's hospitals, children's hospitals within larger medical centers, and independent children's specialty and rehabilitation hospitals.

"Teaching hospital" is a hospital that provides training to medical students, interns, residents, fellows, nurses, or other health professionals and providers, provided that such educational programs are accredited by the appropriate national accrediting body.

"Critical access hospital" (CAH) is a hospital designated as a CAH by a state that has established a State Medicare Rural Hospital Flexibility Program in accordance with Medicare rules.

"Research facility" is a facility that conducts research.

"ER—24 hours" refers to a facility that operates an emergency room 24 hours a day, 365 days a year.

"ER—other" refers to a facility that operates an emergency room for periods less than 24 hours a day, 365 days a year.

Complete the "Other (describe)" column for each hospital facility that the organization operates that isn't described in the other columns of Part V, Section A.

In the upper left-hand corner of the Part V, Section A, table, list the total number of **hospital facilities** that the organization operated during the tax year.

If the organization needs additional space to list all of its hospital facilities, it should duplicate Section A and use as many duplicate copies of Section A as needed, number each page, and renumber the line numbers in the left-hand margin (an organization with 15 facilities should renumber lines 1–5 on the second page as lines 11–15).

Section B

Section B requires reporting on a **hospital facility** by hospital facility basis. The organization must complete a Section B for each of its hospital facilities or facility reporting groups listed in Section A. At the top of each page of Section B, list the name of the hospital facility or the facility reporting group letter. In the space provided, list the line number of the hospital facility, or line numbers of the hospital facilities in a facility reporting group (from Part V, Section A).

If the organization could check the same checkboxes for all Part V, Section B, questions for more than one of its hospital facilities, it may file a single Section B for all facilities in that facility reporting group.

References in these Section B instructions to a "hospital facility" taking a certain action mean that the **hospital organization** took action through or on behalf of the hospital facility.

Line 1. Answer "Yes" if the **hospital facility** was first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year.

Line 2. Answer "Yes" if the **hospital facility** was acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year. If "Yes," provide details in Section C.

Lines 3 through 12c. A community health needs assessment (CHNA) is an assessment of the significant health needs of the community. To meet the requirements of section 501(r)(3), a CHNA must take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health, and must be made widely available to the public. Each **hospital facility** must conduct a CHNA at least once every 3 years, and adopt an implementation strategy to meet the community health needs identified through such CHNA.

Line 3. Answer "Yes" if the **hospital facility** conducted a CHNA in the current tax year or in either of the 2 immediately preceding **tax years**. If "Yes," indicate what the CHNA describes by

checking all applicable boxes. If the CHNA describes information that doesn't have a corresponding checkbox, check line 3j, "Other," and describe this information in Part V, Section C. If "No," skip to line 12.

Note. Notice 2020-56 provided a postponement, until December 31, 2020, of the deadline for performing any CHNA requirement due to be completed on or after April 1, 2020, and before December 31, 2020. If you utilized this relief, treat the completed CHNA as having been completed in the tax year in which it would have been due in the absence of any relief when answering line 3 and line 4.

Line 3a. Check this box if the CHNA report defines the community served by the hospital facility and a description of how the community was determined.

Line 3c. Check this box if the CHNA report describes the resources potentially available to address the significant health needs identified through the CHNA, including existing health care facilities and resources within the community that are available to respond to the health needs of the community.

Line 3d. Check this box if the CHNA report describes the process and methods used to conduct the CHNA.

Line 3e. In Part V, Section C, indicate if the significant health needs are a prioritized description of the significant health needs of the community and identified through the CHNA. If not, explain how the health needs identified will be prioritized.

Line 3g. Check this box if the CHNA report describes the process and criteria used in identifying certain health needs as significant and prioritizing those significant health needs.

Line 3h. Check this box if the CHNA report describes how the hospital facility solicited and took into account input received from persons who represent the broad interests of the community it serves.

Line 3i. Check this box if the CHNA report describes the evaluation of the impact of any actions that were taken, since the hospital facility finished conducting its immediately preceding CHNA, to address the significant health needs identified in the hospital facility's prior CHNA(s).

Line 5. Answer "Yes" if the hospital facility took into account input from persons who represent the broad interests of the community served by the hospital facility, including at least one state, local, tribal, or regional governmental public health department (or equivalent department or agency), or a State Office of Rural Health described in section 338J of the Public Health Service Act (42 U.S.C. 254r), with knowledge, information, or expertise relevant to the health needs of that community, members of medically underserved, low-income, and minority populations in the community served by the hospital facility, or individuals or organizations serving or representing the interests of such populations; and written comments received on the hospital facility's most recently conducted CHNA and most recently adopted implementation strategy.

If the organization checked "Yes," summarize in Part V, Section C, in general terms, how and over what time period such input was provided (for example, whether through meetings, focus groups, interviews, surveys, or written comments, and between what dates); the names of any organizations providing input; and describe the medically underserved, low-income, or minority populations being represented by organizations or individuals that provided input. A CHNA report doesn't need to name or otherwise identify any specific individual providing input on the CHNA. In the event a hospital facility solicits, but cannot obtain, input from a source required by line 5, the hospital facility's CHNA report must also describe the hospital facility's efforts to solicit input from such source.

Line 6a. Answer "Yes," if the **hospital facility's** CHNA was conducted with one or more other hospital facilities. "One or more other hospital facilities" includes related and unrelated hospital facilities. If "Yes," list in Part V, Section C, the other hospital facilities with which the hospital facility conducted its CHNA.

Line 6b. Answer "Yes," if the **hospital facility's** CHNA was conducted with one or more organizations other than hospital facilities. If "Yes," list in Part V, Section C, the other organizations with which the hospital facility conducted its CHNA.

Line 7. Answer "Yes," if the **hospital facility** made its most recently conducted CHNA widely available to the public. If "Yes," indicate how the hospital facility made the CHNA widely available to the public by checking all applicable boxes. If the hospital facility made the CHNA widely available to the public by means other than those listed on lines 7a through 7c, check line 7d, "Other," and describe these means in Part V, Section C.

Line 7a. Check this box if the CHNA was made available on the hospital facility's website or the hospital organization's website. If line 7a is checked, list in the space provided the direct website address, or URL, where the CHNA can be accessed.

Line 7b. Check this box if the CHNA was made available on a website other than the hospital facility's website or the hospital organization's website. If line 7b is checked, list in the space provided the direct website address, or URL, where the CHNA can be accessed.

Line 7c. Check this box if a paper copy of the CHNA was made available for public inspection upon request and without charge at the hospital facility.

Line 8. Answer "Yes" if the **hospital facility** adopted an implementation strategy to meet the significant health needs identified through its most recently conducted CHNA. If "No," skip to line 11.

Line 10. Answer "Yes" if the **hospital facility's** most recently adopted implementation strategy is posted on a website. If "Yes," answer line 10a. If "No," skip to line 10b.

Line 10a. List in the space provided the direct website address, or URL, where the implementation strategy can be accessed and skip to line 11.

Line 10b. Answer "Yes" if the **hospital facility's** most recently adopted implementation strategy is attached.

Line 11. Explain in Part V, Section C, how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that aren't being addressed together with the reasons why such needs aren't being addressed. For example, a hospital facility might identify limited financial or other resources as reasons why it didn't take action to address a need identified in its most recently conducted CHNA.

Line 12a. Answer "Yes" if the organization was liable, at any time during the tax year, for the $50,000 excise tax incurred under section 4959 for failure to conduct a CHNA and adopt an implementation strategy as required under section 501(r)(3). Section 501(r)(3) requires each **hospital facility** to conduct a CHNA, in the tax year or in either of the immediately preceding 2 tax years, that takes into account input from persons who represent the broad interests of the community served by the facility, including those with special knowledge of or expertise in public health, and to make the CHNA widely available to the public. Section 501(r)(3) also requires each hospital facility to adopt an implementation strategy to meet the community health needs identified through its CHNA.

Fixed typos from last year's instructions.

Line 12b. Answer "Yes" to line 12b if the organization answered "Yes" to line 12a and filed Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, to report the section 4959 excise tax it incurred. Answer "Yes" if the organization filed Form 4720 during the tax year or after the tax year but prior to the filing of this return.

Line 12c. If line 12b is "Yes," report the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities that incurred the tax.

Lines 13 through 16. See the instructions for Part I, line 1 of Schedule H (Form 990), for the definition of "financial assistance policy (FAP)." Answer "Yes" only if the FAP applies to all emergency and other medically necessary care provided by the hospital facility, including all such care provided in the hospital facility by a substantially related entity.

Line 13. Answer "Yes," if, during the **tax year**, the **hospital facility** had a written FAP that explains eligibility criteria for financial assistance, and whether such assistance includes free or discounted care. If "Yes," indicate the eligibility criteria explained in the FAP by checking all applicable boxes. If the FAP describes information that doesn't have a corresponding checkbox, check line 13h, "Other," and describe this information in Part V, Section C.

Line 13a. See the instructions for Part I, line 3a of Schedule H (Form 990), for the definition of "Federal Poverty Guidelines" (FPG). Check this box if, during the **tax year**, the **hospital facility** had a written FAP that used FPG for determining eligibility for free or discounted medical care. Show the specific threshold by writing in the percentage amount. If the hospital facility used FPG for determining eligibility for free or discounted medical care, but not both free and discounted medical care, enter "000" in the percentage amount for which FPG wasn't used.

Line 13b. Check this box if the hospital facility used an income level other than FPG and explain in Part V, Section C, what criteria the hospital facility used to determine eligibility for free or discounted care (including whether the hospital facility used the income level of patients, patients' families, or patients' guarantors as a factor).

Line 13c. Check this box if the **hospital facility** used the asset level of patients, patients' families, or patients' guarantors as a factor in determining eligibility for financial assistance.

Line 13d. Check this box if the **hospital facility** considered whether patients were "medically indigent," as defined in the instructions for Part I, line 4 of Schedule H (Form 990), in determining eligibility for financial assistance.

Line 13e. Check this box if the **hospital facility** used the insurance status of patients, patients' families, or patients' guarantors as a factor in determining eligibility for financial assistance.

Line 13g. Check this box if the **hospital facility** considered residency as a factor in determining eligibility for financial assistance.

Line 14. Answer "Yes," if, during the **tax year**, the **hospital facility** had a written FAP that explained the basis for calculating amounts charged to patients.

Line 15. Answer "Yes," if, during the **tax year**, the **hospital facility** had a written FAP that explained the method for applying for financial assistance. If "Yes," indicate how the hospital facility's FAP or FAP application form (including the accompanying instructions) explained the method for applying for financial assistance by checking all applicable boxes. If the FAP explains a method(s) for applying for financial assistance other than those listed on lines 15a through 15d, check 15e, "Other," and explain the method(s) in Part V, Section C.

Line 15a. Check this box if the **hospital facility** described all of the information it may require an individual to provide as part of the application.

Line 15b. Check this box if the **hospital facility** described all of the supporting documentation it may require an individual to submit as part of the application.

Line 15c. Check this box if the **hospital facility** provided contact information of hospital facility staff that the hospital facility has identified as an available source of assistance with FAP applications.

Line 15d. Check this box if the **hospital facility** provided the contact information of a nonprofit organization or government agency that the hospital facility has identified as an available source of assistance with FAP applications.

Line 16. Answer "Yes," if, during the **tax year**, the FAP was widely publicized within the community served by the hospital facility. If "Yes," indicate how the hospital facility publicized the policy by checking all applicable boxes. If the hospital facility publicized the policy within the community served by the hospital facility by means that aren't listed on lines 16a–16i, check line 16j, "Other," and describe in Part V, Section C, how the FAP was publicized within the community served by the hospital facility.

Line 16g. Check this box if individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention.

Line 16i. Check this box if the FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by Limited English Proficient (LEP) populations, such as by translating these documents into the language(s) spoken by each LEP language group that constitutes the lesser of 1,000 individuals or 5% of the community served by the hospital facility or the population likely to be affected or encountered by the hospital facility.

Line 16j. "Other" measures to publicize the policy within the community served by the **hospital facility** may include, but aren't limited to, having registration personnel refer uninsured and/or low-income patients to financial counselors to discuss the policy. Check the box for line 16j if, instead of the detailed policy, the hospital facility provided a summary of the policy in a manner listed in lines 16a–16i.

Line 17. Answer "Yes," if, during the **tax year**, the **hospital facility** had either a separate written billing and collections policy or a written FAP that described any actions that the hospital facility (or other authorized party) may take related to obtaining payment of a bill for medical care, including, but not limited to, any extraordinary collection actions (ECAs); the process and time frames the hospital facility (or other authorized party) uses in taking those actions (including, but not limited to, the reasonable efforts it will make to determine whether an individual is FAP-eligible before engaging in ECAs); and the office, department, committee, or other body with the final authority or responsibility for determining that the hospital facility has made reasonable efforts to determine whether an individual is FAP-eligible and may therefore engage in ECAs against the individual.

Lines 18 and 19. "Other similar actions" don't include sending the patient a bill.

Note. Section 501(r)(6) requires a hospital facility to forego ECAs before the facility has made reasonable efforts to determine the individual's eligibility under the facility's FAP.

Line 18. Indicate what actions against an individual the **hospital facility** was permitted to take during the tax year under its policies before making reasonable efforts to determine the individual's eligibility under the facility's FAP by checking all applicable boxes.

Line 18a. Check this box if the FAP permitted reporting adverse information about the individual to consumer credit reporting agencies or credit bureaus.

Line 18b. Check this box if the FAP permitted selling an individual's debt to another party. Don't check the box if, prior to the sale, the hospital facility entered into a legally binding written agreement with the purchaser of the debt pursuant to which the purchaser is prohibited from engaging in any ECAs to obtain payment for the care; the purchaser is prohibited from charging interest on the debt in excess of the rate in effect under section 6621(a)(2) at the time the debt is sold; the debt is returnable to or recallable by the hospital facility upon a determination by the hospital facility or the purchaser that the individual is FAP-eligible; and, if the individual is determined to be FAP-eligible and the debt isn't returned to or recalled by the hospital facility, the purchaser is required to adhere to procedures specified in the agreement that ensure that the individual doesn't pay, and has no obligation to pay, the purchaser and the hospital facility together more than the individual is personally responsible for paying as an FAP-eligible individual.

Line 18c. Check this box if the FAP permitted deferring or denying, or requiring a payment before providing, medically necessary care because of an individual's nonpayment of one or more bills for previously provided care covered under the hospital facility's FAP.

Line 18d. Check this box if the FAP permitted actions that require a legal or judicial process, including but not limited to placing a lien on an individual's real property; attaching or seizing an individual's bank account or any other personal property; commencing a civil action against an individual; causing an individual's arrest; causing an individual to be subject to a writ of body attachment; or garnishing an individual's wages. Don't include any liens that a hospital facility is entitled to assert under state law on the proceeds of a judgment, settlement, or compromise owed to an individual (or the individual's representative) as a result of personal injuries for which the hospital facility provided care and if it files a claim in a bankruptcy proceeding.

Line 18e. If a hospital facility's policies permitted the facility to take an action or actions against an individual during the tax year similar to those listed on lines 18a through 18d before making reasonable efforts to determine the individual's eligibility under the facility's FAP, check line 18e, "Other similar actions," and describe those actions in Part V, Section C.

Line 18f. If the hospital facility was permitted to make no such actions, check the box for line 18f, "None of these actions or similar actions were permitted."

Line 19. Indicate any of the actions against an individual that the hospital facility took during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP by checking all applicable boxes. For purposes of this question, actions against an individual include actions to obtain payment for the care against any other individual who has accepted or is required to accept responsibility for the individual's hospital bill for the care, and actions of the hospital facility include actions of any purchaser of the individual's debt, any debt collection agency or other party to which the hospital facility has referred the individual's debt, or any substantially related entity.

Line 19a. Check this box if the hospital facility reported adverse information about the individual to consumer credit reporting agencies or credit bureaus before making reasonable efforts to determine the individual's eligibility under the facility's FAP.

Line 19b. Check this box if the hospital facility sold an individual's debt to another party before making reasonable efforts to determine the individual's eligibility under the facility's FAP. Don't check the box if, prior to the sale, the hospital facility entered into a legally binding written agreement with the purchaser of the debt pursuant to which the purchaser is prohibited from engaging in any ECAs to obtain payment for the care; the purchaser is prohibited from charging interest on the debt in excess of the rate in effect under section 6621(a)(2) at the time the debt is sold; the debt is returnable to or recallable by the hospital facility upon a determination by the hospital facility or the purchaser that the individual is FAP-eligible; and, if the individual is determined to be FAP-eligible and the debt isn't returned to or recalled by the hospital facility, the purchaser is required to adhere to procedures specified in the agreement that ensure that the individual doesn't pay, and has no obligation to pay, the purchaser and the hospital facility together more than the individual is personally responsible for paying as an FAP-eligible individual.

Line 19c. Check this box if the hospital facility deferred or denied, or required a payment before providing, medically necessary care because of an individual's nonpayment of one or more bills for previously provided care covered under the hospital facility's FAP.

Line 19d. Check this box if the hospital facility took legal action or pursued a judicial process, including but not limited to placing a lien on an individual's real property; attaching or seizing an individual's bank account or any other personal property; commencing a civil action against an individual; causing an individual's arrest; causing an individual to be subject to a writ of body attachment; or garnishing an individual's wages. Don't include any liens that a hospital facility is entitled to assert under state law on the proceeds of a judgment settlement, or compromise owed to an individual (or the individual's representative) as a result of personal injuries for which the hospital facility provided care and if it filed a claim in a bankruptcy proceeding.

Line 19e. If the hospital facility took an action or actions against an individual during the tax year similar to those listed in lines 19a through 19d before making reasonable efforts to determine the individual's eligibility under the facility's FAP, check line 19e, "Other similar actions," and describe those actions in Part V, Section C.

Line 20. Indicate which efforts the **hospital facility** or other authorized party made before initiating any of the actions listed (whether or not checked) on lines 19a through 19d or described in Part V, Section C (describing "other similar actions" checked on line 18e or line 19e) by checking all applicable boxes on lines 20a through 20d. If the hospital facility made efforts other than those listed on lines 20a through 20d before initiating any of the actions listed on lines 19a through 19d or described in Part V, Section C (describing "other similar actions" checked on line 18e or line 19e), check the box for line 20e, "Other," and describe in Part V, Section C.

If the hospital facility made no such efforts before initiating any of the actions listed (whether or not checked) on lines 19a through 19d or described in Part V, Section C (describing "other similar actions" checked on line 18e or line 19e), check the box for line 20f, "None of these efforts were made."

Line 20a. Check this box if the hospital facility or other authorized party provided individuals with a written notice that indicated financial assistance is available for eligible individuals, identified the ECA(s) that the hospital facility (or other authorized party) intended to initiate to obtain payment for the care, and stated a deadline after which such ECA(s) may be initiated that was no earlier than 30 days after the date that the written notice was provided, along with a plain language summary of the FAP. If not, describe in Section C.

Line 20b. Check this box if the hospital facility or other authorized party made a reasonable effort to orally notify individuals about the hospital facility's FAP and about how the individual may obtain assistance with the FAP application process at least 30 days before initiating ECAs. If not, describe in Section C.

Line 20c. Check this box if (1) when an individual who submitted an incomplete FAP application during the application period, the hospital facility or other authorized party notified the individual about how to complete the FAP application and gave the individual a reasonable opportunity to do so in accordance with Regulations section 1.501(r)-6(c)(5); and (2) when an individual who submitted a complete FAP application during the application period, the hospital facility or other authorized party determined whether the individual is FAP-eligible for the care and otherwise met the requirements described in Regulations section 1.501(r)-6(c)(6). If not, describe in Section C.

Line 20d. Check this box if the hospital facility or other authorized party made presumptive eligibility determinations in accordance with Regulations section 1.501(r)-6(c)(2). If not, describe in Section C.

Line 21. Answer "Yes," if, during the **tax year**, the **hospital facility** had in place a written policy about emergency medical care that required the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals without regard to their eligibility under the hospital facility's FAP. A hospital facility's emergency medical care policy doesn't meet this requirement unless it prohibits the hospital facility from engaging in actions that discourage individuals from seeking emergency medical care, such as by demanding that emergency department patients pay before receiving treatment for emergency medical conditions or by permitting debt collection activities that interfere with the provision, without discrimination, of emergency medical care. If "No," indicate the reasons why the hospital facility didn't have a written nondiscriminatory policy relating to emergency medical care by checking all applicable boxes. If the reason the hospital facility didn't have a written nondiscriminatory policy relating to emergency medical care isn't listed in lines 21a through 21c, check line 21d, "Other," and describe the reason(s) in Part V, Section C.

The hospital facility may check "Yes" if it had a written policy that required compliance with 42 U.S.C. 1395dd (Emergency Medical Treatment and Active Labor Act (EMTALA)).

For purposes of line 21, the term "emergency medical conditions" means:

(a) A medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in:

1. Placing the health of the individual (or, for a pregnant woman, the health of the woman or the unborn child) in serious jeopardy,

2. Serious impairment to bodily functions, or

3. Serious dysfunction of any bodily organ or part; or

(b) For a pregnant woman who is having contractions:

1. That there is inadequate time to effect a safe transfer to another hospital before delivery, or

2. That transfer may pose a threat to the health or safety of the woman or the unborn child.

Lines 22–24. For purposes of lines 22–24, the term "FAP-eligible" means eligible for assistance under the hospital facility's FAP.

Line 22. Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care by checking the appropriate box.

Note. Under section 501(r)(5), the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care are the amounts generally billed to individuals who have insurance covering such care.

Line 23. Answer "Yes," if, during the **tax year**, the **hospital facility** charged any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care. If "Yes," explain in Part V, Section C, except as provided in the next paragraph.

The **hospital facility** may check "No" if it charged more than the amounts generally billed to individuals who had insurance covering such care to an individual if the charge in excess of amounts generally billed (AGB) wasn't made or requested as a pre-condition of providing medically necessary care to the FAP-eligible individual; as of the time of the charge, the FAP-eligible individual hadn't submitted a complete FAP application and hadn't otherwise been determined by the hospital facility to be FAP-eligible for the care; and, if the individual subsequently submits a complete FAP application and is determined to be FAP-eligible for the care, the hospital facility refunds any amount that exceeds the amount the individual is determined to be personally responsible for paying as an FAP-eligible individual, unless such excess amount is less than $5.

Line 24. Answer "Yes," if, during the **tax year**, the **hospital facility** charged any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual, and explain in Part V, Section C, the circumstances in which it used gross charges. A bill that itemizes a reduction applied to a gross charge for a service doesn't need to be reported if the amount charged to the individual for such service is less than the amount of the gross charge.

The hospital facility may check "No" if it charged gross charges for any medical care covered under the FAP if the charge in excess of AGB wasn't made or requested as a pre-condition of providing medically necessary care to the FAP-eligible individual; as of the time of the charge, the FAP-eligible individual hadn't submitted a complete FAP application and hadn't otherwise been determined by the hospital facility to be FAP-eligible for the care; and, if the individual subsequently submits a complete FAP application and is determined to be FAP-eligible for the care, the hospital facility refunds any amount that exceeds the amount the individual is determined to be personally responsible for paying as an FAP-eligible individual, unless such excess amount is less than $5.

Section C

Use Section C to provide descriptions required for Part V, Section B, lines 2, 3e, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24, as applicable. Complete a separate Section C for each **hospital facility** or facility reporting group for which the organization

completed Section B; complete one Section C for each Section B.

If completing Section C for a single hospital facility, identify the specific name and line number (from Schedule H (Form 990), Part V, Section A) of the hospital facility to which the responses in Section C relate.

If completing Section C for a facility reporting group, list the reporting group letter, then list each hospital facility in that group separately by name and line number (from Section A). For each hospital facility, provide the descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.), and name of hospital facility.

- Line 2: If the organization checked "Yes," provide details regarding the **hospital facility(ies)** acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year.
- Line 3j: If the organization checked line 3j, describe the other content included in the hospital facility's CHNA report.
- Line 5: If the organization checked "Yes," summarize, in general terms, how and over what time period such input was provided (for example, whether through meetings, focus groups, interviews, surveys, or written comments, and between what dates); the names of any organizations providing input; and describe the medically underserved, low-income, or minority populations being represented by organizations or individuals that provided input. A CHNA report doesn't need to name or otherwise identify any specific individual providing input on the CHNA. In the event a hospital facility solicits, but cannot obtain, input from a source required by line 5, the hospital facility's CHNA report must also describe the hospital facility's efforts to solicit input from such source.
- Line 6a: If the organization checked "Yes," list the other hospital facilities with which the hospital facility conducted its CHNA.
- Line 6b: If the organization checked "Yes," list the organizations other than hospital facilities with which the hospital facility conducted its CHNA.
- Line 7d: If the organization checked line 7d, describe the other means that the hospital facility used to make its CHNA widely available.
- Line 11: Describe how the hospital facility is addressing the significant health needs identified in its most recently conducted CHNA and any such needs that aren't being addressed together with the reasons why such needs aren't being addressed.
- Line 13b: Describe the criteria the hospital facility used to determine eligibility for free or discounted care (including whether the hospital facility used the income level of patients, patients' families, or patients' guarantors as a factor).
- Line 13h: If the organization checked line 13h, describe the other eligibility criteria used.
- Line 15e: If the organization checked line 15e, describe the other methods for applying for financial assistance.
- Line 16j: If the organization checked line 16j, describe other ways that the hospital facility publicized its FAP.
- Line 18e: If the organization checked line 18e, describe the other similar actions that the hospital facility was permitted to take under its policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP.
- Line 19e: If the organization checked line 19e, describe the other similar actions that the hospital facility was permitted to take under its policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP.
- Line 20e: If the organization checked line 20e, describe the other efforts that the hospital facility made.
- Line 21c: If the organization checked line 21c, describe how the hospital facility limited who was eligible to receive care for emergency services.
- Line 21d: If the organization checked line 21d, describe the other reasons why the hospital facility didn't have a written nondiscriminatory policy for emergency medical care.
- Line 23: If the organization checked "Yes" to line 23, explain the circumstances in which the hospital facility charged any FAP-eligible individual more than the amounts generally billed to individuals who had insurance covering such care.
- Line 24: If the organization answered "Yes" to line 24, explain the circumstances in which the hospital facility charged any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual.

Section D

Complete Part V, Section D, by listing all of the non-hospital health care facilities that the organization operated during the **tax year**. A facility is operated by an organization whether it is operated directly by the organization or through a **disregarded entity** or **joint venture** treated as a partnership. List each of these facilities in order of size from largest to smallest, measured by a reasonable method (for example, the number of patients served or total revenue per facility). For each non-hospital health care facility, list its name and address and describe the type of facility. These types of facilities may include, but aren't limited to, rehabilitation and other outpatient clinics, diagnostic centers, mobile clinics, and skilled nursing facilities.

List the total number of non-hospital health care facilities that the organization operated during the tax year.

If the organization needs additional space to list all of its non-hospital health care facilities, it should duplicate Section D and use as many duplicate copies of Section D as needed, number each page, and renumber the line numbers in the left-hand margin (for example, an organization with 15 such facilities should renumber lines 1–5 on the 2nd page as lines 11–15).

- Line 2: If the organization checked "Yes," provide details regarding the **hospital facility(ies)** acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year.
- Line 3j: If the organization checked line 3j, describe the other content included in the hospital facility's CHNA report.
- Line 5: If the organization checked "Yes," summarize, in general terms, how and over what time period such input was provided (for example, whether through meetings, focus groups, interviews, surveys, or written comments, and between what dates); the names of any organizations providing input; and describe the medically underserved, low-income, or minority populations being represented by organizations or individuals that provided input. A CHNA report doesn't need to name or otherwise identify any specific individual providing input on the CHNA. In the event a hospital facility solicits, but cannot obtain, input from a source required by line 5, the hospital facility's CHNA report must also describe the hospital facility's efforts to solicit input from such source.
- Line 6a: If the organization checked "Yes," list the other hospital facilities with which the hospital facility conducted its CHNA.
- Line 6b: If the organization checked "Yes," list the organizations other than hospital facilities with which the hospital facility conducted its CHNA.
- Line 7d: If the organization checked line 7d, describe the other means that the hospital facility used to make its CHNA widely available.

Similar to last year, the highlighted language in the instructions to Sch H, Part V, Section D, appear to duplicate the instructions to Schedule H, Part V, Section C. The error remains in the version posted to the IRS website as of 6/16/2023.

- Line 11: Describe how the hospital facility is addressing the significant health needs identified in its most recently conducted CHNA and any such needs that aren't being addressed together with the reasons why such needs aren't being addressed.
- Line 13b: Describe the criteria the hospital facility used to determine eligibility for free or discounted care (including whether the hospital facility used the income level of patients, patients' families, or patients' guarantors as a factor).
- Line 13h: If the organization checked line 13h, describe the other eligibility criteria used.
- Line 15e: If the organization checked line 15e, describe the other methods for applying for financial assistance.
- Line 16j: If the organization checked line 16j, describe other ways that the hospital facility publicized its FAP.
- Line 18e: If the organization checked line 18e, describe the other similar actions that the hospital facility was permitted to take under its policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP.
- Line 19e: If the organization checked line 19e, describe the other similar actions that the hospital facility was permitted to take under its policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP.
- Line 20e: If the organization checked line 20e, describe the other efforts that the hospital facility made.
- Line 21c: If the organization checked line 21c, describe how the hospital facility limited who was eligible to receive care for emergency services.
- Line 21d: If the organization checked line 21d, describe the other reasons why the hospital facility didn't have a written nondiscriminatory policy for emergency medical care.
- Line 23: If the organization checked "Yes" to line 23, explain the circumstances in which the hospital facility charged any FAP-eligible individual more than the amounts generally billed to individuals who had insurance covering such care.
- Line 24: If the organization answered "Yes" to line 24, explain the circumstances in which the hospital facility charged any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual.

Part VI. Supplemental Information

Use Part VI to provide the narrative explanations required by the following questions, and to supplement responses to other questions on Schedule H (Form 990). In addition, use Part VI to make disclosures described in section 7 of Rev. Proc. 2015-21. Identify the specific part, section, and line number that the response supports, in the order in which they appear on Schedule H (Form 990). Part VI can be duplicated if more space is needed.

Rev. Proc. 2015-21, 2015-13 I.R.B. 817, provides guidance regarding correction and disclosure procedures for hospital organizations to follow so that certain failures to meet the requirements of section 501(r) will be excused for purposes of sections 501(r)(1) and 501(r)(2)(B). Section 7 of the revenue procedure provides that certain information must be disclosed on the organization's Form 990. Provide this information in Part VI.

Line 1. Provide the following supplemental information.

Part I, line 3c. If applicable, describe the criteria used for determining eligibility for free or discounted care under the organization's FAP. Also, describe whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.

Part I, line 6a. If the organization's community benefit report is in a report prepared by a **related organization**, and not in a separate report prepared by the organization, identify the related organization and list its EIN.

Part I, line 7g. If applicable, describe if the organization included as subsidized health services any costs attributable to a physician clinic, and enter such costs the organization included.

Part I, line 7, column (f). If applicable, enter the bad debt expense included in Form 990, Part IX, line 25, column (A) (but subtracted for purposes of calculating the percentages in this column).

Part I, line 7. Provide an explanation of the costing methodology used to calculate the amounts entered for each line in the table. If a cost accounting system was used, indicate whether the cost accounting system addresses all patient segments (for example, inpatient, outpatient, emergency room, private insurance, Medicaid, Medicare, uninsured, or self pay). Also, indicate if a cost-to-charge ratio was used for any of the figures in the table. Describe whether this cost-to-charge ratio was derived from Worksheet 2, Ratio of Patient Care Cost-to-Charges, and, if not, what kind of cost-to-charge ratio was used and how it was derived. If some other costing methodology was used besides a cost accounting system, cost-to-charge ratio, or a combination of the two, describe the method used.

Part II. Describe how the organization's community building activities, as reported in Part II, promote the health of the community or communities the organization serves.

Part III, line 2. Describe the methodology used to determine the amount on Part III, line 2, including how the organization accounts for discounts and payments on patient accounts in determining bad debt expense.

Part III, line 3. Describe the methodology used to determine the amount entered on line 3. Also, describe the rationale, if any, for including any portion of bad debt as community benefit.

Part III, line 4. Provide, if applicable, the text of the footnote to the organization's financial statements that describes bad debt expense, or enter the page number(s) of the organization's most recent **audited financial statements** on which the footnote appears. If the organization's financial statements include a footnote on these issues that also includes other information, enter only the relevant portions of the footnote. If the organization's financial statements don't contain such a footnote, enter that the organization's financial statements don't include such a footnote, and explain how the financial statements account for bad debt, if at all.

Part III, line 8. Describe the costing methodology used to determine the Medicare allowable costs entered on Part III, line 6. Describe, if applicable, the extent to which any shortfall entered on Part III, line 7, should be treated as a community benefit, and the rationale for the organization's position.

Part III, line 9b. If the organization has a written debt collection policy and answered "Yes," to Part III, line 9b, describe the collection practices in the policy that apply to patients who it knows qualify for financial assistance, whether the practices apply specifically to such patients or also cover other types of patients.

Line 2. If applicable, describe whether and how the organization assesses the health care needs of the community or communities it serves, in addition to any CHNA entered in Part V, Section B.

Line 3. Describe how the organization informs and educates patients and persons who are billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's FAP. For example, enter whether the organization posts its FAP, or a summary thereof, applications for financial assistance, and financial assistance contact information in admissions areas, emergency rooms, and other areas of the organization's facilities where eligible patients are likely to be present; provides a copy of the policy, or a summary thereof, applications for financial assistance, and

financial assistance contact information to patients as part of the intake process; provides a copy of the policy, or a summary thereof, applications for financial assistance, and financial assistance contact information to patients with discharge materials; includes the policy, or a summary thereof, an application for financial assistance, and financial assistance contact information, in patient bills; or discusses with the patient the availability of various government benefits, such as Medicaid or state programs, and assists the patient with qualification for such programs, where applicable.

Line 4. Describe the community or communities the organization serves, taking into account the geographic service area(s) (urban, suburban, rural, etc.), the demographics of the community or communities (population, average income, percentages of community residents with incomes below the federal poverty guideline, percentage of the hospital's and community's patients who are uninsured or Medicaid recipients, etc.), the number of other hospitals serving the community or communities, and whether one or more federally designated medically underserved areas or populations are present in the community.

Line 5. Provide any other information important to describing how the organization's **hospitals** or other health care facilities further its exempt purpose by promoting the health of the community or communities. Your response should include, but need not be limited to, whether:

- A majority of the organization's **governing body** is comprised of persons who reside in the organization's primary service area who are neither **employees** nor **independent contractors** of the organization, nor **family members** thereof;
- The organization extends medical staff privileges to all qualified physicians in its community for some or all of its departments or specialties; and
- How the organization applies surplus funds to improvements in facilities and equipment, patient care, medical training, education, and research.

Line 6. If the organization is part of an affiliated health care system, describe the roles of the organization and its affiliates in promoting the health of the communities served by the system. For purposes of this question, an “affiliated health care system” is a system that includes affiliates under common governance or control, or that cooperate in providing health care services to their community or communities.

Line 7. Identify all states with which the organization files (or a **related organization** files on its behalf) a community benefit report. Enter only those states in which the organization's own community benefit report is filed, either by the organization itself or by a related organization on the organization's behalf.

Worksheet 1. Financial Assistance at Cost (Part I, Line 7a)

Worksheet 1 can be used to calculate the organization's financial assistance (sometimes referred to as “charity care”) at cost entered on Part I, line 7a. Refer to instructions for Part I, line 1, for the definition of “financial assistance.”

Line 1. Enter the gross patient charges written off to financial assistance pursuant to the organization's financial assistance policies. “Gross patient charges” means the total charges at the organization's full established rates for the provision of patient care services before deductions from revenue are applied.

Line 3. Multiply line 1 by line 2, or enter estimated cost based on the organization's cost accounting methodology. Organizations with a cost accounting system or a cost accounting method more accurate than the ratio of patient care cost to charges from Worksheet 2 can rely on that method to estimate financial assistance cost. An organization that doesn't use Worksheet 2 to determine a ratio of patient care cost to charges should make any necessary adjustments for patient care charges and community benefit programs to avoid double counting.

Line 4. Enter the Medicaid/provider taxes, fees, and assessments paid by the organization, if payments received from an uncompensated care pool or DSH program in the organization's home state are intended primarily to offset the cost of financial assistance. If the payments are primarily intended to offset the cost of Medicaid services, then enter this amount in Worksheet 3, line 4, column (A). If the primary purpose of the taxes or payments hasn't been made clear by state regulation or law, then the organization can allocate the taxes or payments proportionately between Worksheet 1, line 4, and Worksheet 3, line 4, column (A), based on a reasonable estimate of which portions are intended for financial assistance and Medicaid, respectively. “Medicaid provider taxes” means amounts paid or transferred by the organization to one or more states as a mechanism to generate federal Medicaid DSH funds (portions of the cost of the tax are generally promised back to organizations either through an increase in the Medicaid reimbursement rate or through direct appropriation).

Line 6. “Revenue from uncompensated care pools or programs” means payments received from a state, including Upper Payment Limit (UPL) funding and Medicaid DSH funds, as direct offsetting revenue for financial assistance or to enhance Medicaid reimbursement rates. If such payments are primarily to offset the cost of Medicaid services, then enter this amount in Worksheet 3, line 7, column (A). If the primary purpose of the payments hasn't been made clear by state regulation or law, then the organization can allocate the payments proportionately between Worksheet 1, line 6, and Worksheet 3, line 7, column (A), based on a reasonable estimate of which portions are intended for financial assistance and Medicaid, respectively.

Line 7. Include the amount of any other offsetting revenue, including any restricted grants received by the organization.

Worksheet 1. **Financial Assistance at Cost (Part I, line 7a)** *Keep for Your Records*

Gross patient charges		
1. Amount of gross patient charges written off under financial assistance policies	**1.**	
Total community benefit expense		
2. Ratio of patient care cost to charges (from Worksheet 2, if used)	**2.**	
3. Estimated cost (multiply line 1 by line 2, or obtain from cost accounting)	**3.**	
4. Medicaid provider taxes, fees, and assessments	**4.**	
5. Total community benefit expense (add lines 3 and 4; enter in Part I, line 7a, column (c))	**5.**	
Direct offsetting revenue		
6. Revenue from uncompensated care pools or programs	**6.**	
7. Other direct offsetting revenue	**7.**	
8. Total direct offsetting revenue (add lines 6 and 7; enter in Part I, line 7a, column (d))	**8.**	
9. Net community benefit expense (subtract line 8 from line 5; enter in Part I, line 7a, column (e))	**9.**	
10. Total expense (enter amount from Form 990, Part IX, line 25, column (A), including the organization's share of joint venture expenses, and excluding any bad debt expense included on Part IX, line 25)	**10.**	
11. Percent of total expense (divide line 9 by line 10; enter in Part I, line 7a, column (f))	**11.**	%

Worksheet 2. Ratio of Patient Care Cost to Charges

Worksheet 2 can be used to calculate the organization's ratio of patient care cost to charges. An organization that doesn't use Worksheet 2 to determine a ratio of patient care cost to charges should make any necessary adjustments for patient care charges and community benefit programs to avoid double counting.

Line 1. Enter the organization's total operating expenses (excluding bad debt expense) from its most recent audited **financial statements**.

Line 2. Enter the cost of nonpatient care activities. "Nonpatient care activities" include health care operations that generate "other operating revenue" such as nonpatient food sales, supplies sold to nonpatients, and medical records abstracting. The cost of nonpatient care activities doesn't include any total community benefit expense entered on Worksheets 1 through 8.

If the organization is unable to establish the cost associated with nonpatient care activities, use other operating revenue from its most recent audited financial statement as a proxy for these costs. This proxy assumes no markup exists for other operating revenue compared to the cost of nonpatient care activities. Alternatively, if other operating revenue provides a markup compared to the cost of nonpatient care activities, the organization can assume such a markup exists when completing line 2.

Line 3. Enter the Medicaid provider taxes, fees, and assessments paid by the organization included on line 1 so this expenditure isn't double-counted when the ratio of patient care cost to charges is applied.

Line 4. Enter the sum of the total community benefit expenses included in "Total operating expense" on line 1 and entered in Part I, lines 7e, 7f, 7h, and 7i, column (c), so these expenses aren't double-counted when the ratio of patient care cost to charges is applied.

Also, include on line 4 the total community benefit expense entered in Part I, lines 7a, 7b, 7c, and 7g, column (c), if the organization hasn't relied on the ratio of patient care cost to charges from this worksheet to determine these expenses, but rather has relied on a cost accounting system or other cost accounting method to estimate costs of financial assistance, Medicaid or other means-tested government programs, or subsidized health services.

Line 5. Enter the gross expense of community building activities reported in Part II of Schedule H (Form 990).

Line 9. Enter the gross patient charges for any community benefit activities or programs for which the organization hasn't relied on the ratio of patient care cost to charges from this worksheet to determine the expenses of such activities or programs. For example, if the organization uses a cost accounting system or another cost accounting method to estimate total community benefit expense for Medicaid or any other means-tested government programs, enter gross charges for those programs on line 9.

Worksheet 2. **Ratio of Patient Care Cost to Charges (can be used for other worksheets)**

Keep for Your Records

Patient care cost		
1. Total operating expense		**1.**
Less adjustments		
2. Nonpatient care activities	**2.**	
3. Medicaid provider taxes, fees, and assessments	**3.**	
4. Total community benefit expense	**4.**	
5. Total community building expense	**5.**	
6. Total adjustments (add lines 2 through 5)		**6.**
7. Adjusted patient care cost (subtract line 6 from line 1)		**7.**
Patient care charges		
8. Gross patient charges		**8.**
Less: adjustments		
9. Gross charges for community benefit programs		**9.**
10. Adjusted patient care charges (subtract line 9 from line 8)		**10.**
Calculation of ratio of patient care cost to charges		
11. Ratio of patient care cost to charges (divide line 7 by line 10; enter on the applicable lines of Worksheets 1, 3, or 6)		**11.** %

Worksheet 3. Medicaid and Other Means-Tested Government Health Programs (Part I, Lines 7b and 7c)

Worksheet 3 can be used to report the cost of Medicaid and other means-tested government health programs. A "means-tested government program" is a government health program for which eligibility depends on the recipient's income or asset level.

"Medicaid" means the **United States** health program for individuals and families with low incomes and resources. "Other means-tested government programs" means government-sponsored health programs where eligibility for benefits or coverage is determined by income or assets. Examples include:

- The State Children's Health Insurance Program (SCHIP), a **United States** federal government program that gives funds to states in order to provide health insurance to families with children; and
- Other federal, state, or local health care programs.

Report Medicaid and other means-tested government program revenues and expenses from all states, not just from the organization's home state.

Line 1, column (A). Enter the gross patient charges for Medicaid services. Include gross patient charges for all Medicaid recipients, including those enrolled in managed care plans. In certain states, SCHIP functions as an expansion of the Medicaid program, and reimbursements from SCHIP aren't distinguishable from regular Medicaid reimbursements. Hospitals that cannot distinguish their SCHIP reimbursements from their Medicaid reimbursements can enter SCHIP charges, costs, and offsetting revenue under column (A).

Line 1, column (B). Enter the amount of gross patient charges for other means-tested government health programs.

Line 3, column (A). Enter the estimated cost for Medicaid services. Multiply line 1, column (A), by line 2, column (A), or enter estimated cost based on the organization's cost accounting system or method. Organizations with a cost accounting system or a cost accounting method more accurate than the ratio of patient care cost to charges from Worksheet 2 can rely on that system or method to estimate the cost of Medicaid services. Organizations relying on a cost accounting system or method other than the ratio of patient care cost to charges from Worksheet 2 should use care not to double-count community benefit expenses fully accounted for elsewhere on Schedule H (Form 990), Part I, line 7, such as the cost of health professions education, community health improvement services, community benefit operations, subsidized health services, and research.

Line 3, column (B). Enter the estimated cost for services provided to patients who receive health benefits from other means-tested government health programs.

Line 4, column (A). Enter the Medicaid provider taxes, fees, and assessments paid by the organization if payments received from an uncompensated care pool, UPL program, or Medicaid DSH program in the organization's home state are intended primarily to offset the cost of Medicaid services. If such payments are primarily intended to offset the cost of financial assistance, then enter this amount on Worksheet 1, line 4. If the primary purpose of such taxes or payments hasn't been made clear by state regulation or law, then the organization can

allocate portions of such taxes or payments proportionately between Worksheet 1, line 4, and Worksheet 3, line 4, column (A), based on a reasonable estimate of which portions are intended for financial assistance and Medicaid, respectively.

Line 6, column (A). Enter the net patient service revenue for Medicaid services, including revenue associated with Medicaid recipients enrolled in managed care plans. Don't include Medicaid reimbursement for direct graduate medical education (GME) costs, which should be entered on Worksheet 5, line 9. Include Medicaid reimbursement for indirect GME costs, including the indirect IME portion of children's health GME. The direct portion of children's health GME should be entered on Worksheet 5, line 10. Also, include Medicaid DSH revenue and UPL funding. “Net patient service revenue” means payments expected to be received from patients or third-party payers for patient services performed during the year. “Net patient service revenue” also includes revenue for services performed during prior years.

Organizations can describe in Part VI the amount of prior year Medicaid revenue included on Part I, line 7b.

Amounts received from a Medicaid program as “reimbursement for direct GME” or IME should be treated the way the Medicaid program that provides reimbursement classifies the funds.

Line 7, column (A). Enter revenue received from uncompensated care pools or programs if payments received from an uncompensated care pool, UPL program, or Medicaid DSH program in the organization's home state are intended primarily to offset the cost of Medicaid services. If such payments are primarily intended to offset the cost of charity care, then enter this amount on Worksheet 1, line 6. If the primary purpose of such payments hasn't been made clear by state regulation or law, then the organization can allocate the payments proportionately between Worksheet 1, line 6, and Worksheet 3, line 7, column (A), based on a reasonable estimate of which portions are intended for financial assistance and Medicaid, respectively.

Worksheet 3. **Medicaid and Other Means-Tested Government Health Programs (Part I, lines 7b and 7c)**

Keep for Your Records

		(A) Medicaid	(B) Other means-tested government health programs
Gross patient charges			
1. Gross patient charges from the programs	**1.**		
Total community benefit expense			
2. Ratio of patient care cost to charges (from Worksheet 2, if used)	**2.**	%	%
3. Cost (multiply line 1 by line 2, or obtain from cost accounting)	**3.**		
4. Medicaid provider taxes, fees, and assessments	**4.**		
5. Total community benefit expense Total community benefit expense (add lines 3 and 4; enter amount from column (A) in Part I, line 7b, column (c); and enter amount from column (B) in Part I, line 7c, column (c))	**5.**		
Direct offsetting revenue			
6. Net patient service revenue	**6.**		
7. Payments from uncompensated care pools or programs	**7.**		
8. Other revenue	**8.**		
9. Total direct offsetting revenue (add lines 6 through 8; enter amount from column (A) in Part I, line 7b, column (d), and enter amount from column (B) in Part I, line 7c, column (d))	**9.**		
10. Net community benefit expense (subtract line 9 from line 5; enter amount from column (A) in Part I, line 7b, column (e); enter amount from column (B) in Part I, line 7c, column (e))	**10.**		
11. Total expense (enter amount from Form 990, Part IX, line 25, column (A), including the organization's share of joint venture expenses, and excluding any bad debt expense included in Part IX, line 25, in both columns (A) and (B))	**11.**		
12. Percent of total expense (line 10 divided by line 11; enter amount from column (A) in Part I, line 7b, column (f); enter amount from column (B) in Part I, line 7c, column (f))	**12.**	%	%

Worksheet 4. **Community Health Improvement Services and Community Benefit Operations (Part I, line 7e)**

Keep for Your Records

			(A) Total community benefit expense	(B) Direct offsetting revenue	(C) Net community benefit expense (subtract col. (B) from col. (A) for lines 1–5)
1.	Community health improvement services				
	a.	**1a.**			
	b.	**1b.**			
	c.	**1c.**			
	d.	**1d.**			
	e.	**1e.**			
	f.	**1f.**			
	g.	**1g.**			
	h.	**1h.**			
	i.	**1i.**			
	j.	**1j.**			
2.	Worksheet subtotal (add lines 1a through 1j)	**2.**			
3.	Community benefit operations				
	a.	**3a.**			
	b.	**3b.**			
	c.	**3c.**			
	d.	**3d.**			
4.	Worksheet subtotal (add lines 3a through 3d)	**4.**			
5.	**Worksheet total** (add lines 2 and 4; enter amounts from columns (A), (B), and (C) in Part I, line 7e, columns (c), (d), and (e), respectively)	**5.**			
6.	Total expense (enter amount from Form 990, Part IX, line 25, column (A), including the organization's share of joint venture expenses, and excluding any bad debt expense included on Part IX, line 25)	**6.**			
7.	**Percent of total expense** (line 5, column (C) divided by line 6; enter amount in Part I, line 7e, column (f))	**7.**			

Worksheet 4. Community Health Improvement Services and Community Benefit Operations (Part I, Line 7e)

Worksheet 4 can be used to report the net cost of community health improvement services and community benefit operations.

"Community health improvement services" means activities or programs, subsidized by the health care organization, carried out or supported for the express purpose of improving community health. Such services don't generate inpatient or outpatient revenue, although there may be a nominal patient fee or sliding scale fee for these services.

"Community benefit operations" means:

- Activities associated with conducting community health needs assessments,
- Community benefit program administration, and
- The organization's activities associated with fundraising or grant writing for community benefit programs.

Activities or programs cannot be reported if they are provided primarily for marketing purposes or if they are more beneficial to the organization than to the community. For example, the activity or program may not be reported if it is designed primarily to increase referrals of patients with third-party coverage, required for license or accreditation, or restricted to individuals affiliated with the organization (employees and physicians of the organization).

To be reported, community need for the activity or program must be established. Community need can be demonstrated through the following.

- A CHNA conducted or accessed by the organization.
- Documentation that demonstrated community need or a request from a public health agency or community group was the basis for initiating or continuing the activity or program.
- The involvement of unrelated, collaborative tax-exempt or government organizations as partners in the activity or program carried out for the express purpose of improving community health.

Community benefit activities or programs also seek to achieve a community benefit objective, including improving access to health services, enhancing public health, advancing increased general knowledge, and relief of a government burden to improve health. This includes activities or programs that do the following.

- Are available broadly to the public and serve low-income consumers.
- Reduce geographic, financial, or cultural barriers to accessing health services, and if they ceased would result in access problems (for example, longer wait times or increased travel distances).
- Address federal, state, or local public health priorities such as eliminating disparities in access to health care services or disparities in health status among different populations.
- Leverage or enhance public health department activities such as childhood immunization efforts.
- Strengthen community health resilience by improving the ability of a community to withstand and recover from public health emergencies.
- Otherwise would become the responsibility of government or another tax-exempt organization.
- Advance increased general knowledge through education or research that benefits the public.

Lines 1a through 1j, column (A). Enter the name of each reported community health improvement activity or program and total community benefit expense for each. Include both direct costs and indirect costs in total community benefit expense. Use additional worksheets if the organization reports more than 10 community health improvement activities or programs.

Lines 3a through 3d, column (A). Enter the name of each reported community benefit operations activity or program and total community benefit expense for each. Include both direct costs and indirect costs in total community benefit expense. Use additional worksheets if the organization enters more than four community benefit operations activities or programs.

Report total community benefit expense, direct offsetting revenue, and net community benefit expense for each line item.

Worksheet 5. Health Professions Education (Part I, Line 7f)

Worksheet 5 can be used to report the net cost of health professions education.

"Health professions education" means educational programs that result in a degree, a certificate, or training necessary to be licensed to practice as a health professional, as required by state law, or continuing education necessary to retain state license or certification by a board in the individual's health profession specialty. It doesn't include education or training programs available exclusively to the organization's **employees** and medical staff or scholarships provided to those individuals. However, it does include education programs if the primary purpose of such programs is to educate health professionals in the broader community. Costs for medical residents and interns can be included, even if they are considered "employees" for purposes of Form W-2, Wage and Tax Statement.

Examples of health professions education activities or programs that should and shouldn't be reported are as follows.

Activity or Program	Report	Example Rationale
Scholarships for community members	Yes	More benefit to community than organization
Scholarships for staff members	No	More benefit to organization than community
Continuing medical education for community physicians	Yes	Accessible to all qualified physicians
Continuing medical education for own medical staff	No	Restricted to own medical staff members
Nurse education if graduates are free to seek employment at any organization	Yes	More benefit to community than organization
Nurse education if graduates are required to become the organization's employees	No	Program designed primarily to benefit the organization

Lines 1 through 6. Include both direct and indirect costs. Direct costs of health professions education don't include costs related to Ph.D. students and post-doctoral students, which are to be entered on Worksheet 7, Research. See the instructions for Part I, line 7, column (c), for the definition of "indirect costs." "Indirect costs" don't include the estimated cost of "indirect medical education."

Direct costs of health professions education include the following.

- Stipends, fringe benefits of interns, residents, and fellows in accredited graduate medical education programs.
- Salaries and fringe benefits of faculty directly related to intern and resident education.
- Salaries and fringe benefits of faculty directly related to teaching:

1. Medical students;

2. Students enrolled in nursing programs that are licensed by state law or, if licensing isn't required, accredited by the recognized national professional organization for the particular activity;

3. Students enrolled in allied health professions education programs, licensed by state law or, if licensing isn't required, accredited by the recognized national professional organization for the particular activity, including, but not limited to, programs in pharmacy, occupational therapy, dietetics, and pastoral care; and

Worksheet 5. **Health Professions Education (Part I, line 7f)**

Keep for Your Records

		Totals
Total community benefit expense		
1. Medical students	**1.**	
2. Interns, residents, and fellows	**2.**	
3. Nurses	**3.**	
4. Other allied health professions, students	**4.**	
5. Continuing health professions education	**5.**	
6. Other students	**6.**	
7. Total community benefit expense (add lines 1 through 6; enter in Part I, line 7f, column (c))	**7.**	
Direct offsetting revenue		
8. Medicare reimbursement for direct GME	**8.**	
9. Medicaid reimbursement for direct GME	**9.**	
10. Continuing health professions education reimbursement/tuition	**10.**	
11. Other revenue	**11.**	
12. Total direct offsetting revenue (add lines 8 through 11; enter in Part I, line 7f, column (d))	**12.**	
13. Net community benefit expense (line 7 minus line 12; enter in Part I, line 7f, column (e))	**13.**	
14. Total expense (enter amount from Form 990, Part IX, line 25, column (A), including the organization's share of joint venture expenses, and excluding any bad debt expense included on Part IX, line 25)	**14.**	
15. Percent of total expense (line 13 divided by line 14; enter amount in Part I, line 7f, column (f))	**15.**	%

4. Continuing health professions education open to all qualified individuals in the community, including payment for development of online or other computer-based training accepted as continuing health professions education by the relevant professional organization.

• Scholarships provided by the organization to community members.

Line 8. Enter Medicare reimbursement for direct GME, reimbursement for approved nursing and allied health education activities, and direct GME reimbursement received for services provided to Medicare Advantage patients. For a children's hospital that receives children's GME payments from Health Resources and Services Administration (HRSA), count that portion of the payment equivalent to Medicare direct GME. Don't include indirect GME reimbursement provided by Medicare or Medicaid.

Line 9. Enter Medicaid reimbursement for direct GME, including only that portion of Medicaid GME payment equivalent to Medicare direct GME and that can be explicitly segregated by the organization from other Medicaid net patient revenue. Don't include indirect GME reimbursement provided by Medicaid, which is to be entered Worksheet 3, Unreimbursed Medicaid and Other Means-Tested Government Programs. Include Medicaid reimbursement for nursing and allied health education. If your state pays Medicaid GME reimbursement as a lump sum that includes both direct and indirect payments, use reasonable methods to estimate the portion of the lump sum that is direct (for example, the percent of total Medicare GME payments that is direct).

Line 10. Enter revenue received for continuing health professions education reimbursement or tuition.

Line 11. Enter other revenue received for health professions education activities associated with expenses entered on Worksheet 5, line 7.

Worksheet 6. Subsidized Health Services (Part I, Line 7g)

Worksheet 6 can be used to calculate the net cost of subsidized health services. Complete Worksheet 6 for each subsidized health service and enter in Part I the total for all subsidized health services combined.

"Subsidized health services" means clinical services provided despite a financial loss to the organization. The financial loss is measured after removing losses associated with bad debt, financial assistance, Medicaid, and other means-tested government programs. Losses attributable to these items aren't included when determining which clinical services are subsidized health services because they are reported as community benefit elsewhere in Part I or as bad debt in Part III.

Losses attributable to these items are also excluded when measuring the losses generated by the subsidized health services. In addition, in order to qualify as a subsidized health service, the organization must provide the service because it meets an identified community need. A service meets an identified community need if it is reasonable to conclude that if the organization no longer offered the service:

- The service would be unavailable in the community,
- The community's capacity to provide the service would be below the community's need, or
- The service would become the responsibility of government or another tax-exempt organization.

Subsidized health services can include qualifying inpatient programs (for example, neonatal intensive care, addiction recovery, and inpatient psychiatric units) and outpatient programs (emergency and trauma services, satellite clinics designed to serve low-income communities, and home health programs). Subsidized health services generally exclude ancillary services that support inpatient and ambulatory programs such as anesthesiology, radiology, and laboratory departments. Subsidized health services include services or care provided at physician clinics and skilled nursing facilities if such clinics or facilities satisfy the general criteria for subsidized health services. An organization that includes any costs associated with stand-alone physician clinics (not other facilities at which physicians provide services) as subsidized health services on Part I, line 7g, must describe that it has done so and enter on Part VI such costs included on Part I, line 7g.

Note. The organization can report a physician clinic as a subsidized health service only if the organization operated the clinic and associated hospital services at a financial loss to the organization during the year.

Line 3, columns (A) through (D). Enter the estimated cost for each subsidized health service. For column (B), enter bad debt amounts attributable to the subsidized health service measured by cost. For column (C), enter amounts attributable to the subsidized health service for patients who are recipients of Medicaid and other means-tested government health programs. For column (D), enter financial assistance amounts attributable to the subsidized health service measured by cost. Multiply line 1 by line 2 or enter the estimated expense of each subsidized health service based on the organization's cost accounting. Organizations with a cost accounting system or method more accurate than the ratio of patient care cost to charges from Worksheet 2 can rely on that system or method to estimate the cost of each subsidized health service.

Worksheet 7. Research (Part I, Line 7h)

Worksheet 7 can be used to report the cost of research conducted by the organization.

Research means any study or investigation the goal of which is to generate increased generalizable knowledge made available to the public (for example, knowledge about underlying biological mechanisms of health and disease, natural processes, or principles affecting health or illness; evaluation of safety and efficacy of interventions for disease such as clinical trials and studies of therapeutic protocols; laboratory-based studies; epidemiology, health outcomes, and effectiveness; behavioral or sociological studies related to health, delivery of care, or prevention; studies related to changes in the health care delivery system; and communication of findings and observations, including publication in a medical journal). The organization can include the cost of internally funded research it conducts, as well as the cost of research it conducts funded by a tax-exempt or government entity.

The organization cannot include on Part I, line 7h, direct or indirect costs of research funded by an individual or an organization that isn't a tax-exempt or government entity. However, the organization can describe in Part VI any research it conducts that isn't funded by tax-exempt or government entities, including the cost of such research, the identity of the funder, how the results of such research are made available to the public, if at all, and whether the results are made available to the public at no cost or nominal cost.

Examples of costs of research include, but aren't limited to, salaries and benefits of researchers and staff, including stipends for research trainees (Ph.D. candidates or fellows); facilities for collection and storage of research, data, and samples; animal facilities; equipment; supplies; tests conducted for research rather than patient care; statistical and computer support; compliance (for example, accreditation for human subjects protection, biosafety, Health Insurance Portability and Accountability Act (HIPAA), etc.); and dissemination of research results.

Line 1. Define direct costs under the guidelines and definitions published by the National Institutes of Health.

Line 2. Define indirect costs under the guidelines and definitions published by the National Institutes of Health.

Line 4. Enter license fees and royalties the organization received during the tax year that are directly associated with research that the organization has (in any tax year) reported on Schedule H as community benefit.

Line 5. An example of “other revenue” is Medicare reimbursement associated with any research expense reported as community benefit.

Worksheet 8. Cash and In-Kind Contributions for Community Benefit (Part I, Line 7i)

Worksheet 8 can be used to report cash **contributions** or grants and the cost of in-kind contributions that support financial assistance, health professions education, and other community benefit activities reportable on Part I, lines 7a through 7h. Report such contributions on line 7i, and not on lines 7a through 7h.

“Cash and in-kind contributions” means contributions made by the organization to health care organizations and other community groups restricted, in writing, to one or more of the community benefit activities described in the table on Part I, line 7 (and the related worksheets and instructions). “In-kind contributions” include the cost of staff hours donated by the organization to the community while on the organization's payroll, indirect cost of space donated to tax-exempt community groups (such as for meetings), and the financial value (generally measured at cost) of donated food, equipment, and supplies.

Don't report as cash or in-kind contributions any payments that the organization makes in exchange for a service, facility, or product, or that the organization makes primarily to obtain an economic or physical benefit; for example, payments made in lieu of taxes that the organization makes to prevent or forestall local or state property tax assessments, and a teaching hospital's payments to its affiliated medical school for intern or resident supervision services by the school's faculty members.

Report cash contributions and grants made by the organization to entities and community groups that share the organization's goals and mission. Don't report cash or in-kind contributions contributed by **employees**, or emergency funds provided by the organization to the organization's employees; loans, advances, or contributions to the capital of another organization that are reportable in Part X of the core Form 990;

Worksheet 6. **Subsidized Health Services (Part I, line 7g)** *Keep for Your Records*

Program name: _____		(A) Total subsidized health service program	(B) Bad debt	(C) Medicaid and other means-tested government health programs	(D) Financial assistance	(E) Totals (subtract columns (B), (C), and (D) from column (A))
Gross patient charges						
1. Gross patient charges from program(s)	**1.**					
Total community benefit expense						
2. Ratio of patient care cost to charges (from Worksheet 2, if used)	**2.**	%	%	%	%	
3. Total community benefit expense (multiply line 1 by line 2, or obtain from cost accounting; enter column (E) in Part I, line 7g, column (c))	**3.**					
Direct offsetting revenue						
4. Net patient service revenue	**4.**					
5. Other revenue	**5.**					
6. Total direct offsetting revenue (add lines 4 and 5; enter column (E) in Part I, line 7g, column (d)).	**6.**					
7. Net community benefit expense (subtract line 6 from line 3; enter column (E) in Part I, line 7g, column (e))	**7.**					
8. Total expense (enter amount from Form 990, Part IX, line 25, column (A), including the organization's share of joint venture expenses, and excluding any bad debt expense included on Part IX, line 25)	**8.**					$
9. Percent of total expense (line 7, column (E) divided by line 8; enter in Part I, line 7g, column (f))	**9.**					%

Worksheet 7. **Research (Part I, line 7h)** *Keep for Your Records*

Total community benefit expense		
1. Direct costs	**1.**	
2. Indirect costs	**2.**	
3. Total community benefit expense (add lines 1 and 2; enter in Part I, line 7h, column (c))	**3.**	
Direct offsetting revenue		
4. License fees and royalties	**4.**	
5. Other revenue	**5.**	
6. Total direct offsetting revenue (add lines 4 and 5; enter in Part I, line 7h, column (d))	**6.**	
7. Net community benefit expense (subtract line 6 from line 3; enter in Part I, line 7h, column (e))	**7.**	
8. Total expense (enter amount from Form 990, Part IX, line 25, column (A), including the organization's share of joint venture expenses, and excluding any bad debt expense included on Part IX, line 25)	**8.**	
9. Percent of total expense (divide line 7 by line 8; enter in Part I, line 7h, column (f))	**9.**	%

Worksheet 8. **Cash and In-Kind Contributions for Community Benefit (Part I, line 7i)** *Keep for Your Records*

			(A) Cash contrib-utions	(B) In-kind contrib-utions	(C) Total
1.	**Total community benefit expense** (enter amount from column (C) in Part I, line 7i, column (c))	**1.**			
2.	**Direct offsetting revenue** (enter amount from column (C) in Part I, line 7i, column (d))	**2.**			
3.	**Net community benefit expense** (subtract line 2 from line 1; enter on Part I, line 7i, column (e))	**3.**			
4.	Total expense (enter amount from Form 990, Part IX, line 25, column (A), including the organization's share of joint venture expenses, and excluding any bad debt expense included on Part IX, line 25)	**4.**			
5.	**Percent of total expense** (divide line 3 by line 4; enter in Part I, line 7i, column (f))	**5.**			%

or unrestricted grants or gifts to another organization that can, at the discretion of the grantee organization, be used other than to provide the type of community benefit described in the table on Part I, line 7.

Special rule for grants to joint ventures. If the organization makes a grant to a **joint venture** in which it has an ownership interest to be used to accomplish one of the community benefit activities reportable in the table, on Part I, line 7, enter the grant on line 7i, but don't include the organization's proportionate share of the amount spent by the **joint venture** on such activities in any other part of the table, to avoid double counting.

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No substantive changes were made to Schedule I in 2022.

Section references are to the Internal Revenue Code unless otherwise noted.

General Instructions

Future developments. For the latest information about developments related to Schedule I (Form 990), such as legislation enacted after the schedule was published, go to *www.irs.gov/Form990*.

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule I (Form 990) is used by an organization that files Form 990 to provide information on **grants and other assistance** made by the filing organization during the **tax year** to **domestic organizations**, **domestic governments**, and **domestic individuals**. Report activities conducted by the organization directly. Also, report activities conducted by the organization indirectly through a **disregarded entity** or a **joint venture** treated as a partnership.

Grants and other assistance include awards, prizes, **contributions**, noncash assistance, cash allocations, stipends, scholarships, fellowships, research grants, and similar payments and distributions made by the organization during the tax year. For purposes of Schedule I, grants and other assistance don't include:

- Salaries or other **compensation** to employees, or payments to independent contractors if the primary purpose of such payments is to serve the direct and immediate needs of the organization (such as legal, accounting, or fundraising services).
- The payment of any benefit by a 501(c)(9) voluntary employees' beneficiary association (VEBA) to employees of a sponsoring organization or contributing employer, if such payment is made under the terms of the VEBA trust and in compliance with section 505.
- Grants to affiliates that aren't organized as legal entities separate from the filing organization, or payments made to branch offices, accounts, or employees of the organization located in the **United States**.

A **domestic organization** includes a corporation or partnership created or organized in the United States or under the law of the United States or of any state or possession. A trust is a domestic organization if a court within the United States or a **U.S. possession** is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons (or persons in **U.S. possessions**) have the authority to control all substantial decisions of the trust.

A **domestic government** is a state, a U.S. possession, a political subdivision of a state or U.S. possession, the United States, or the District of Columbia. A grant to a U.S. government agency must be included on this schedule regardless of where the agency is located or operated.

A **domestic individual** is a person, including a foreign citizen, who lives or resides in the United States (or a U.S. possession) and not outside the United States (or a U.S. possession).

Parts II and III of this schedule may be duplicated to list additional grantees (Part II) or types of grants/assistance (Part III) that don't fit on the first page of these parts. Number each page of each part.

Don't report on this schedule foreign grants or assistance, including grants or assistance provided to **domestic organizations**, **domestic governments**, or **domestic individuals** for the purpose of providing grants or other assistance to a designated **foreign organization**, **foreign government**, or **foreign individual**. Instead, report them on Schedule F (Form 990), Statement of Activities Outside the United States.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, *Checklist of Required Schedules*, line 21 or 22, must complete Part I and either Part II or Part III of this schedule and attach it to Form 990.

If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. General Information on Grants and Assistance

Complete this part if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.

Lines 1 and 2. On line 1, indicate "Yes" or "No" regarding whether the organization maintains records to substantiate amounts, eligibility, and selection criteria used for grants. In general terms, describe how the organization monitors its grants to ensure that such grants are used for proper purposes and aren't otherwise diverted from the intended use. For example, the organization can describe the periodic reports required or field investigations conducted. Use Part IV for the organization's narrative response to line 2.

Part II. Grants and Other Assistance to Domestic Organizations and Domestic Governments

Line 1. Complete line 1 if the organization answered "Yes" on Form 990, Part IV, line 21. A "Yes" response means that the organization reported more than $5,000 on Form 990, Part IX, line 1, column (A). Enter information only for each recipient **domestic organization** or **domestic government** that received more than $5,000 aggregate of grants or assistance from the organization during the tax year.

Enter the details of each organization or entity on a separate line of Part II. If there are more organizations or entities to report in Part II than space available, report the additional organizations or entities on duplicate copies of Part II. Use as many duplicate copies as needed, and number each page. Use Part IV if additional space is needed for descriptions of particular column entries.

Column (a). Enter the full legal name and mailing address of each recipient organization or government entity.

Column (b). Enter the employer identification number (EIN) of the grant recipient.

Column (c). Enter the section of the Internal Revenue Code under which the organization receiving the assistance is tax exempt, if applicable (for example, a school described in section 501(c)(3) or a social club described in section 501(c)(7)). If a recipient is a government entity, enter the name of the government entity. If a recipient is neither a tax-exempt nor a government entity, leave column (c) blank.

Column (d). Enter the total dollar amount of cash grants to each recipient organization or entity for the tax year. Cash grants include grants and allocations paid by cash, check, money order, electronic fund or wire transfer, and other charges against funds on deposit at a financial institution.

Columns (e) and (f). Enter the **fair market value** of noncash property. Describe the method of valuation. Report property with a readily determinable market value (for example, market quotations for **securities**) at its fair market value. For marketable securities registered and listed on a recognized securities exchange, measure market value on the date the property is distributed to the grantee by the average of the highest and lowest quoted selling prices or the average between the bona fide bid and asked prices. When fair market value can't be readily determined, use an appraised or estimated value.

Column (g). For noncash property or assistance, enter a description of the property or assistance. List all that apply. Examples of noncash assistance include medical supplies or equipment, pharmaceuticals, blankets, and books or other educational supplies.

Column (h). Describe the purpose or ultimate use of the grant funds or other assistance. Don't use general terms, such as charitable, educational, religious, or scientific. Use more specific descriptions, such as general support, payments for nursing services, or laboratory construction. Enter the type of assistance, such as medical, dental, or free care for indigent hospital patients. In the case of disaster assistance, include a description of the disaster and the assistance provided (for example, "Food, shelter, and clothing for Organization A's assistance to victims of Colorado wildfires"). Use Part IV if additional space is needed for descriptions.

TIP *If the organization checks "Accrual" on Form 990, Part XII, line 1; follows **Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958)** (formerly "SFAS 116") (see instructions for Form 990, Part IX); and makes a grant during the **tax year** to be paid in future years to a **domestic organization** or **domestic government**, it should report the grant's present value in Part II, line 1, column (d) or (e), and report any accruals of present value increments in future years.*

Line 2. Add the number of recipient organizations listed on Schedule I (Form 990), Part II, line 1, that (a) have been recognized by the Internal Revenue Service as exempt from federal income tax as described in section 501(c)(3); (b) are **churches**, including synagogues, temples, and mosques; (c) are integrated auxiliaries of churches and conventions or association of churches; or (d) are **domestic governments**. Enter the total.

Line 3. Add the number of recipient organizations listed on Schedule I (Form 990), Part II, line 1, that aren't described on line 2. This number should include both organizations that aren't tax exempt and organizations that are tax exempt under section 501(c) but not section 501(c)(3).

Part III. Grants and Other Assistance to Domestic Individuals

Complete Part III if the organization answered "Yes" on Form 990, Part IV, line 22. A "Yes" response means that the organization reported more than $5,000 on Form 990, Part IX, line 2, column (A).

Enter information for **grants and other assistance** made to or for the benefit of individual recipients. Don't complete Part III for grants or assistance provided to individuals through another organization or entity, unless the grant or assistance is earmarked by the filing organization for the benefit of one or more specific **domestic individuals**. Instead, complete Part II, earlier. For example, report a payment to a **hospital** designated to cover the medical expenses of particular domestic individuals in Part III and report a contribution to a hospital designated to provide some service to the general public or to unspecified domestic charity patients in Part II.

Enter the details of each type of assistance to individuals on a separate line of Part III. If there are more types of assistance than space available, report the types of assistance on duplicate copies of Part III. Use as many duplicate copies as needed, and number each page. Use Part IV if additional space is needed for descriptions of particular column entries.

Column (a). Specify type(s) of assistance provided, or describe the purpose or use of grant funds. Don't use general terms, such as charitable, educational, religious, or scientific. Use more specific descriptions, such as scholarships for students attending a particular school; provision of books or other educational supplies; food, clothing, and shelter for indigents, or direct cash assistance to indigents; etc. In the case of specific disaster assistance, include a description of the type of assistance provided and identify the disaster (for example, "Food, shelter, and clothing for immediate relief for victims of Colorado wildfires").

Column (b). Enter the number of recipients for each type of assistance. If the organization is unable to determine the actual number, provide an estimate of the number. Explain in Part IV how the organization arrived at the estimate.

Column (c). Enter the aggregate dollar amount of cash grants for each type of grant or assistance. Cash grants include grants and allocations paid by cash, check, money order, electronic fund or wire transfer, and other charges against funds on deposit at a financial institution.

Columns (d) and (e). Enter the **fair market value** of noncash property. Describe the method of valuation. Report property with a readily determinable market value (for example, market quotations for **securities**) at its fair market value. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices or the average between the bona fide bid and asked prices, on the date the property is distributed to the grantee. When fair market value can't be readily determined, use an appraised or estimated value.

Column (f). For noncash grants or assistance, enter descriptions of property. List all that apply. Examples of noncash assistance include medical supplies or equipment, pharmaceuticals, blankets, and books or other educational supplies.

*If the organization checks "Accrual" on Form 990, Part XII, line 1; follows **Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958)** (formerly "SFAS 116") (see instructions for Form 990, Part IX); and makes a grant during the **tax year** to be paid in future years to a **domestic individual**, it should report the grant's present value in Part III, column (c) or (d), and report any accruals of present value increments in future years.*

Part IV. Supplemental Information

Use Part IV to provide narrative information required in Part I, line 2, regarding monitoring of funds, and in Part III, column (b), regarding how the organization estimated the number of recipients for each type of grant or assistance. Also, use Part IV to provide other narrative explanations and descriptions, as needed. Identify the specific part and line(s) that the response supports. Part IV can be duplicated if more space is needed.

No substantive changes were made to Schedule J in 2022.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule J (Form 990)

Compensation Information

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule J (Form 990) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

Reminder

Form 1099-NEC and nonemployee compensation reporting. Beginning with tax year 2020, Form 1099-NEC, Nonemployee Compensation, is used to report nonemployee compensation. Accordingly, where the Form 990 references reporting amounts of compensation from Form 1099-MISC, Miscellaneous Income, be sure to include nonemployee compensation from box 1 of Form 1099-NEC. See the instructions for additional information.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990, Return of Organization Exempt From Income Tax.

Purpose of Schedule

Schedule J (Form 990) is used by an organization that files Form 990 to report **compensation** information for certain **officers**, **directors**, individual **trustees**, **key employees**, and **highest compensated employees**, and information on certain compensation practices of the organization.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, line 23, must complete Schedule J. Do not file Schedule J for institutional trustees.

If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I asks questions regarding certain **compensation** practices of the organization. Part I generally pertains to all **officers**, **directors**, **trustees**, and **employees** of the organization listed on Form 990, Part VII, Section A, regardless of whether the organization answered "Yes" to line 23 of Form 990, Part IV, for all such individuals. However, only the organizations that are described in *Who Must File*, earlier, must complete Part I. Part I, lines 1, 2, 3, 7, 8, and 9 require reporting on the compensation practices of the filing organization, but not of **related organizations**. Lines 4 through 6 require information regarding both the filing organization and its related organizations. Part I, lines 5 through 9, must be completed only by section 501(c)(3), section 501(c)(4), and section 501(c)(29) organizations.

Part II requires detailed compensation information for individuals for whom the organization answered "Yes" on Form 990, Part IV, line 23. Not all persons listed on Form 990, Part VII, Section A, will necessarily be listed in Schedule J, Part II.

Part III is used to provide explanations of answers as required in Part I or II.

Unless stated otherwise, all questions in this schedule pertain to activity during the calendar year ending with or within the organization's **tax year**.

Part I. Questions Regarding Compensation

For purposes of Part I, a *listed person* is a person listed on Form 990, Part VII, Section A.

Line 1. Report information regarding certain benefits (if any) provided to persons listed on Form 990, Part VII, Section A, line 1a.

Line 1a. Check the appropriate box(es) if the organization provided any of the listed benefits to any of the persons listed on Form 990, Part VII, Section A, regardless of whether such benefits are reported as **compensation** in box 1 or box 5 of Form W-2, Wage and Tax Statement; box 6 of Form 1099-MISC; or box 1 of Form 1099-NEC. For each of the listed benefits provided to or for a listed person, provide in Part III the following information.

- The type of benefit.
- The listed person who received the benefit, or a description of the types (for example, all directors) and number of listed persons that received the benefit.
- Whether the benefit, or any part of it, was treated as taxable compensation to the listed person.

First-class travel refers to any travel on a passenger airplane, train, or boat with first-class seats or accommodations by a listed person or companion if any portion of the cost above the lower-class fare is paid by the organization. First-class travel doesn't include intermediate classes between first class and coach, such as business class on commercial airlines. Bump-ups to first class free of charge or as a result of using frequent flyer benefits, or similar arrangements that are at no additional cost to the organization, can be disregarded.

Charter travel refers to travel on an airplane, train, or boat under a charter or rental arrangement. Charter travel also includes any travel on an airplane or boat that is owned or leased by the organization.

Travel for companions refers to any travel of a listed person's guest not traveling primarily for bona fide business purposes of the organization. It also refers to any travel of a

listed person's **family members**, whether or not for bona fide business purposes.

Tax indemnification and gross-up payments refer to the organization's payment or reimbursement of any tax obligations of a listed person.

Discretionary spending account refers to an account or sum of money under the control of a listed person with respect to which the person isn't accountable to the organization under an **accountable plan**, whether or not actually used for any personal expenses. Accountable plans are discussed in *Accountable plan amounts*, later (under the Part II, column (D), instructions).

Housing allowance or residence for personal use refers to any payment for, or provision of, housing by the organization for personal use by a listed person, including a ministerial housing or parsonage allowance.

Payments for business use of personal residence refers to any payment by the organization for the use of all or part of a listed person's residence for any purpose of the organization.

Health or social club dues or initiation fees refers to any payment of dues by the organization for the membership of a listed person in a health or fitness club or a social or recreational club, whether or not such clubs are tax exempt. It doesn't include membership fees for an organization described in section 501(c)(3) or section 501(c)(6) unless such organization provides health, fitness, or recreational facilities available for the regular use of a listed person. *Health club dues* don't include provision by the organization of an on-premises athletic facility described in section 132(j)(4), or provision by a school of an athletic facility available for general use by its students, faculty, and employees. *Dues* include the entrance fee, periodic fees, and amounts paid for use of such facilities.

Personal services refers to any services for the personal benefit of a listed person or the family or friends of a listed person, whether provided regularly (on a full-time or part-time basis) or as needed, whether provided by an **employee** of the organization or **independent contractor** (and whether the independent contractor is an individual or an organization). They include, but aren't limited to, services of a babysitter, bodyguard, butler, chauffeur, chef, concierge or other person who regularly runs non-incidental personal errands, escort, financial planner, handyman, landscaper, lawyer, maid, masseur/masseuse, nanny, personal trainer, personal advisor or counselor, pet sitter, physician or other medical specialist, tax preparer, and tutor for nonbusiness purposes. Personal services don't include services provided to all employees on a nondiscriminatory basis under a qualified employee benefit plan.

Line 1b. If the organization provided any of the benefits listed in line 1a to one or more listed persons, answer "Yes" if the organization followed a written policy regarding the payment, provision, or reimbursement of all such benefits to listed persons. If the organization didn't follow a written policy for payment, provision, or reimbursement of any listed benefits, explain in Part III who determined the organization would provide such benefits and the decision-making process.

Line 2. Answer "Yes" if the organization required substantiation of all expenses or benefits listed on line 1a, in accordance with the rules for **accountable plans** discussed in *Accountable plan amounts*, later (under the Part II, column (D), instructions), before reimbursing or allowing all such expenses incurred by any **directors**, **trustees**, and **officers**, including the organization's **top management official** (all referred to as "top management official"). An organization can answer "Yes" if it checked the "Discretionary spending account" box on line 1a and required substantiation of expenses under the rules for accountable plans for all listed benefits on line 1a other than for discretionary spending accounts.

Line 3. Check the appropriate box(es) to indicate which methods, if any, the organization used to establish the **compensation** of the organization's **top management official**. If the organization relied on a compensation consultant that used a method described in line 3 to help determine compensation for the top management official, the organization may check the box for that method in line 3. Do not check any box(es) for methods used by a related organization to establish the filing organization's compensation of the filing organization's top management official. Explain in Part III if the organization relied on a **related organization** that used one or more of the methods described next to establish the top management official's compensation.

Compensation committee refers to a committee of the organization's **governing body** responsible for determining the top management official's compensation package, whether or not the committee has been delegated the authority to make an employment agreement with the top management official on behalf of the organization. The compensation committee can also have other duties.

Independent compensation consultant refers to a person outside the organization who advises the organization regarding the top management official's compensation package, holds the official out to the public as a compensation consultant, performs valuations of nonprofit executive compensation on a regular basis, and is qualified to make valuations of the type of services provided. The consultant is independent if the consultant does not have a **family relationship** or **business relationship** with the top management official, and if a majority of the appraisals are performed for persons other than the organization, even if the consultant's firm also provides tax, audit, and other professional services to the organization.

Form 990 of other organizations refers to compensation information reported on a Form 990 series return of similarly situated organizations, and includes Forms 990; 990-EZ, Short Form Return of Organization Exempt From Income Tax; and 990-PF, Return of Private Foundation.

Written employment contract refers to one or more recent or current written employment agreements to which the top management official and another organization are or were parties, written employment agreements involving similarly situated top management officials with similarly situated organizations, or written employment offers to the top management official from other organizations dealing at arm's length.

Compensation survey or study refers to a study of top management official compensation or functionally comparable positions in similarly situated organizations.

Approval by board or compensation committee refers to the ultimate decision by the governing body or compensation committee on behalf of the organization regarding whether to enter into an employment agreement with the top management official, and the terms of such agreement.

Line 4. List in Part III the names of listed persons paid amounts during the year by the filing organization or a

related organization under any arrangement described in lines 4a through 4c, and report the amounts paid during the year to each such listed person. Also describe in Part III the terms and conditions of any arrangement described in lines 4a through 4c in which one or more listed persons participated during the year, regardless of whether any payments to the listed person were made during the year.

Line 4a. Answer "Yes" if a listed person received a severance or change-of-control payment from the organization or a **related organization**. A severance payment is a payment made if the right to the payment is contingent upon the person's severance from service in specified circumstances, such as upon an involuntary separation from service or under a separation or termination agreement voluntarily entered into by the parties. Payments under a change-of-control arrangement are made in connection with a termination or change in the terms of employment resulting from a change in control of the organization. Treat as a severance payment any payment to a listed person by the organization or a related organization in satisfaction or settlement of a claim for wrongful termination or demotion.

Line 4b. Answer "Yes" if a listed person participated in or received payment from any supplemental nonqualified retirement plan established, sponsored, or maintained by or for the organization or a **related organization**. A supplemental nonqualified retirement plan is a nonqualified retirement plan that isn't generally available to all employees but is available only to a certain class or classes of management or highly compensated **employees**. For this purpose, include as a supplemental nonqualified retirement plan a plan described in section 457(f) (but don't include a plan described in section 457(b)) and a split-dollar life insurance plan.

Line 4c. Answer "Yes" if a listed person participated in or received payment from the organization or a **related organization** of any equity-based compensation (such as stock, stock options, stock appreciation rights, restricted stock, or phantom or shadow stock), or participated in or received payment from any equity compensation plan or arrangement sponsored by the organization or a related organization, whether the compensation is determined by reference to equity in a partnership, limited liability company, or corporation. Equity-based compensation doesn't include compensation contingent on the revenues or net earnings of the organization, which are addressed by lines 5 and 6 later.

Example. A, a listed person, is an **employee** of organization B. B owns an interest in C, a for-profit subsidiary that is a stock corporation. As part of A's compensation package, B provides restricted stock in C to A. This is an equity-based compensation arrangement for purposes of line 4c. The same would be true if C were a partnership or limited liability company and B provided A a profits interest or capital interest in C.

Line 5. Answer "Yes" if the organization paid or accrued with respect to a listed person any **compensation** contingent upon and determined in whole or in part by the revenues (gross or net) of one or more activities of the organization or a **related organization**, or by the revenues (gross or net) of the organization or a related organization as a whole. For this purpose, net revenues means gross revenues less certain expenses, but doesn't mean net income or net earnings. Describe such arrangements in Part III.

Example. A, a listed person, is a physician employed by organization B. As part of A's compensation package, A is to be paid a bonus equal to x% of B's net revenues from a particular department operated by B for a specified period of time. This arrangement is a payment contingent on revenues of the organization, and must be reported on line 5, regardless of whether the payment is contingent on achieving a certain revenue target. However, if instead the bonus payment is a specific dollar amount (for instance, $5,000) to be paid only if a gross revenue or net revenue target of the department is achieved, the payment isn't contingent on revenues of the organization for this purpose.

Line 6. Answer "Yes" if the organization paid or accrued with respect to a listed person any **compensation** contingent upon and determined in whole or in part by the net earnings of one or more activities of the organization or a **related organization**, or by the net earnings of the organization or a related organization as a whole. Describe such arrangements in Part III.

Example. A, a listed person, is an **employee** of organization B. As part of A's compensation package, A is to be paid a bonus equal to x% of B's net earnings for a specified period of time. This arrangement is a payment contingent on net earnings of the organization for line 6 purposes, regardless of whether the payment is contingent on achieving a certain net earnings target. However, if instead the bonus payment is a specific dollar amount to be paid only if a net earnings target is achieved, the payment isn't contingent on the net earnings of the organization for this purpose.

Line 7. Answer "Yes" if the organization provided any non-fixed payments, not described on lines 5 and 6, for a listed person. Describe such arrangements in Part III. A *fixed payment* is an amount of cash or other property specified in the contract, or determined by a fixed formula specified in the contract, which is to be paid or transferred in exchange for the provision of specified services or property. A fixed formula can incorporate an amount that depends upon future specified events or contingencies, provided that no person exercises discretion when calculating the amount of a payment or deciding whether to make a payment, such as a bonus. Amounts paid or accrued to any listed person that aren't fixed amounts as defined earlier are *non-fixed payments*. For example, any amount paid to a person under a reimbursement arrangement where discretion is exercised by any person as to the amount of expenses incurred or reimbursed is a non-fixed payment. See Regulations section 53.4958-4(a)(3).

Exception. Amounts payable under a qualified pension, profit-sharing, or stock bonus plan under section 401(a) or under an employee benefit program that is subject to and satisfies coverage and nondiscrimination rules under the Internal Revenue Code (for example, sections 127 and 137), other than nondiscrimination rules under section 9802, are treated as fixed payments for purposes of line 7, regardless of the organization's discretion with respect to the plan or program. The fact that a person contracting with the organization is expressly granted the choice to accept or reject any economic benefit is disregarded in determining whether the benefit constitutes a fixed payment for purposes of line 7.

Line 8. Answer "Yes" if any amounts from the organization reported on Form 990, Part VII, were paid under a contract subject to the initial contract exception described in Regulations section 53.4958-4(a)(3). Describe such arrangements in Part III. Fixed payments made under an

initial contract aren't subject to section 4958. An *initial contract* is a binding written contract between the organization and a person who wasn't a disqualified person (within the meaning of section 4958(f)(1)) with respect to the organization immediately prior to entering into the contract. See the instructions for line 7 for the definition of fixed payments.

Line 9. Answer "Yes" if the payments described in line 8 were made under an initial contract that was reviewed and approved by the organization following the rebuttable presumption procedure described in Regulations section 53.4958-6(c). For more information on the initial contract exception and rebuttable presumption procedure, see *Appendix G. Section 4958 Excess Benefit Transactions* in the Instructions for Form 990.

Part II. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

Enter information for certain individuals listed on Form 990, Part VII, Section A, as described below. Report **compensation** for the calendar year ending with or within the organization's **tax year** paid to or earned by the following individuals.

- Each of the organization's former **officers**, former **directors**, former **trustees**, former **key employees**, and former five **highest compensated employees** listed on Form 990, Part VII, Section A.
- Each of the organization's current officers, directors, trustees, key employees, and five highest compensated employees for whom the sum of Form 990, Part VII, Section A, columns (D), (E), and (F) (disregarding any decreases in the actuarial value of defined benefit plans) is greater than $150,000.
- Each of the organization's current and former officers, directors, trustees, key employees, and five highest compensated employees who received or accrued compensation from any unrelated organization or individual for services rendered to the filing organization, as reported on line 5 of Form 990, Part VII, Section A. List in Part III the name of each unrelated organization that provided compensation to such persons, the type and amount of compensation it paid or accrued, and the person receiving or accruing such compensation, as explained in the instructions for Form 990, Part VII, Section A, line 5.

TIP *All current **key employees** listed on Form 990, Part VII, Section A, must also be reported on Schedule J, Part II, because their **reportable compensation**, by definition, exceeds $150,000.*

Do not list any individuals in Schedule J, Part II, that aren't listed on Form 990, Part VII, Section A. Do not list in Part II **management companies** or other organizations providing services to the organization. Do not list highest compensated **independent contractors** reported on Form 990, Part VII, Section B.

For each individual listed, enter compensation from the organization on row (i), and compensation from all **related organizations** on row (ii). Related organizations are explained in the *Glossary* in the Instructions for Form 990. Any type and amount of reportable compensation from related organizations that was excluded from Form 990, Part VII, Section A, column (E), under the $10,000-per-related-organization exception, must be included on Schedule J, Part II, columns (B)(i),
(B)(ii), and (B)(iii). If there is no compensation to report in a particular column, enter "-0-."

If the organization answered "Yes" to Form 990, Part VII, Section A, line 5, report such compensation from the unrelated organization as if it were received from the organization, and enter the name of the unrelated organization in Part III.

For a table showing how and where to report certain types of compensation on Schedule J, see the instructions for line 1 of Form 990, Part VII, Section A.

Any type and amount of other compensation that was excluded from Form 990, Part VII, Section A, under the $10,000-per-item exception for certain other compensation items, must be included in Schedule J, Part II, column (C) or (D).

For purposes of Part II, a *listed person* is a person required to be listed in Part II.

Column (A). Enter the name and title of each person who must be listed in Part II.

Column (B). Amounts reported on Form 990, Part VII, Section A, columns (D) and (E), must be broken out between columns (B)(i), (B)(ii), and
(B)(iii).

TIP *For certain kinds of **employees**, such as certain members of the clergy and religious workers who aren't subject to social security and Medicare taxes as employees, the amount in box 5 of Form W-2 may be blank or less than the amount in box 1 of Form W-2. In this case, the amount required to be reported in box 1 of Form W-2 for the listed persons must be reported, as appropriate, in columns (B)(i), (B)(ii), and (B)(iii).*

Column (B)(i). Enter the listed person's base compensation included in box 1 or box 5 (whichever is greater) of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC issued to the person. Base compensation means nondiscretionary payments to a person agreed upon in advance, contingent only on the payee's performance of agreed-upon services (such as salary or fees).

Column (B)(ii). Enter the listed person's bonus and incentive compensation included in box 1 or box 5 (whichever is greater) of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC issued to the person. Examples include payments based on satisfaction of a performance target (other than mere longevity of service), and payments at the beginning of a contract before services are rendered (for example, signing bonus).

Column (B)(iii). Enter all other payments issued to the listed person and included in box 1 or box 5 (whichever is greater) of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC but not reflected in column (B)(i) or (B)(ii). Examples include, but aren't limited to, current-year payments of amounts earned in a prior year, payments under a severance plan, payments under an arrangement providing for payments upon the change in ownership or control of the organization or similar transaction, deferred amounts and earnings or losses in a nonqualified defined contribution plan subject to section 457(f) when they become substantially vested, and awards based on longevity of service.

Column (C). Enter all current-year deferrals of compensation for the listed person under any retirement or

other deferred compensation plan, whether qualified or nonqualified, that is established, sponsored, or maintained by or for the organization or a related organization. Report as deferred compensation the annual increase or decrease in actuarial value, if any, of a defined benefit plan, but don't report earnings or losses accrued on deferred amounts in a defined contribution plan. Do not enter in column (C) any payments of compensation included in box 1 or box 5 (whichever is greater) of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC issued to the listed person for the calendar year ending with or within the organization's **tax year**. Enter a reasonable estimate if actual numbers aren't readily available.

For this purpose, *deferred compensation* is compensation that is earned or accrued in, or is attributable to, 1 year and deferred for any reason to a future year, whether or not funded, vested, or subject to a substantial risk of forfeiture. This includes earned but unpaid incentive compensation deferred under a deferred compensation plan. But don't report in column (C) a deferral of compensation that causes an amount to be deferred from the calendar year ending with or within the tax year to a date that isn't more than 2 1/2 months after the end of the calendar year ending with or within the tax year. Note that different rules can apply for determining whether an arrangement provides for deferred compensation for purposes of Internal Revenue Code provisions such as section 83, 409A, 457(f), or 3121(v).

Do not report deferred compensation in column (C) before it is earned or accrued under the principles described. For this purpose, deferred compensation is generally treated as earned or accrued in the year that services are rendered, except when entitlement to payment is contingent on satisfaction of specified organizational goals or performance criteria (other than mere longevity of service) under the deferred compensation plan. If the payment of an amount of deferred compensation requires the employee to perform services for a period of time, the amount is treated as accrued or earned ratably over the course of the service period, even though the amount isn't funded and may be subject to a substantial risk of forfeiture until the service period is completed.

Report deferred compensation for each listed person regardless of whether such compensation is deferred as part of a deferred compensation plan that is administered by a separate trust, as long as the plan is established, sponsored, or maintained by or for the organization or a related organization for the benefit of the listed person.

The following examples illustrate when deferred compensation is considered earned or accrued, as well as when and how it is to be reported. In these examples, assume that the amounts deferred aren't reported in box 1 or box 5 of Form W-2, prior to the year during which the amounts are paid.

Example 1. An executive participates in Organization A's nonqualified deferred compensation plan. Under the terms of the plan beginning January 1 of calendar year 1, the executive earns for each year of service an amount equal to 2% (0.02) of their base salary of $100,000 for that year. These additional amounts are deferred and aren't vested until the executive has completed 3 years of service with Organization A. In year 4, the deferred amounts for years 1 through 3 are paid to the executive. For each of the years 1 through 3, Organization A enters $2,000 of deferred compensation for the executive in column (C). For year 4, Organization A enters $6,000 in column (B)(iii) and $6,000 in column (F).

Example 2. Under the terms of the executive's employment contract with Organization B beginning July 1 of calendar year 1, an executive is entitled to receive $50,000 of additional compensation after completing 5 years of service with the organization. The compensation is contingent only on the longevity of service. The $50,000 is treated as accrued or earned ratably over the course of the 5 years of service, even though it isn't funded or vested until the executive has completed the 5 years. Organization B makes a payment of $50,000 to the executive in calendar year 6. Organization B enters $5,000 of deferred compensation in column (C) for calendar year 1 and $10,000 for each of calendar years 2 through 5. For calendar year 6, Organization B enters $50,000 in column (B)(iii) and $45,000 in column (F).

Example 3. An executive participates in Organization C's incentive compensation plan. The plan covers calendar years 1 through 5. Under the terms of the plan, the executive is entitled to earn 1% (0.01) of Organization C's total productivity savings for each year during which Organization C's total productivity savings exceed $100,000. Earnings under the incentive compensation plan will be payable in year 6, to the extent funds are available in a certain "incentive compensation pool." For years 1 and 2, Organization C's total productivity savings are $95,000. For each of years 3, 4, and 5, Organization C's total productivity savings are $120,000. Accordingly, the executive earns $1,200 of incentive compensation in each of years 3, 4, and 5. The executive does not earn anything under the incentive compensation plan in years 1 and 2 because the relevant performance criteria weren't met in those years. Although the amounts earned under the plan for years 3, 4, and 5 are dependent upon there being a sufficient incentive compensation pool from which to make the payment, Organization C enters $1,200 of deferred compensation in column (C) in years 3, 4, and 5. In year 6, Organization C pays $3,600 attributable to years 3, 4, and 5, and enters $3,600 in column (B)(ii) and $3,600 in column (F).

Example 4. A new executive participates in Organization D's nonqualified defined benefit plan, under which the executive will receive a fixed dollar amount per year for a fixed number of years beginning with the first anniversary of retirement. The benefits don't vest until the executive serves for 15 years with Organization D. Because the benefits should be treated as accruing ratably over the 15 years, for year 1 the actuarial value of 1/15th of the benefits is reported as deferred compensation in column (C). For year 2, the actuarial value of 2/15ths of the benefits minus last year's value of 1/15th is reported as deferred compensation in column (C). For year 3, the actuarial value of 3/15ths of the benefits minus last year's value of 2/15ths is reported, and so on.

Column (D). *Nontaxable benefits* are benefits specifically excluded from taxation under the Internal Revenue Code. Report the value of all nontaxable benefits provided to or for the benefit of the listed person, other than benefits disregarded for purposes of section 4958 under Regulations section 53.4958-4(a)(4). Common nontaxable and section 4958 disregarded benefits, referred to as fringe benefits below, are discussed in detail beginning on this page.

Depending on the type of benefit, fringe benefits can be provided only to employees or also to persons other than

employees, such as **directors**, **trustees**, and **independent contractors**. Fringe benefits can be entirely personal in nature or can combine personal and business elements.

The taxability of a benefit can depend upon the form in which it is provided. For example, a cash housing allowance is ordinarily reportable in box 5 of Form W-2. Under section 119, housing provided for the convenience of the employer can be excludable, and the fair rental value of in-kind housing provided to certain school employees can be part taxable and part excludable, depending on facts and circumstances. Taxable benefits must be reported on Form W-2.

The following benefits provided for a listed person must be reported in column (D) to the extent not reported as taxable compensation in box 1 or box 5 of Form W-2, box 6 of Form 1099-MISC, or box 1 of Form 1099-NEC.

- Value of housing provided by the employer, except to the extent such value is a working condition fringe.
- Educational assistance.
- Health insurance.
- Medical reimbursement programs.
- Life insurance.
- Disability benefits.
- Long-term care insurance.
- Dependent care assistance.
- Adoption assistance.
- Payment or reimbursement by the organization of (or payment of liability insurance premiums for) any penalty, tax, or expense of correction owed under chapter 42 of the Internal Revenue Code, any expense not reasonably incurred by the person in connection with a civil judicial or civil administrative proceeding arising out of the person's performance of services on behalf of the organization, or any expense resulting from an act or failure to act with respect to which the person has acted willfully and without reasonable cause.

The list above is not all-inclusive.

Disregarded benefits. Disregarded benefits under Regulations section 53.4958-4(a)(4) need not be reported in column (D). *Disregarded benefits* generally include fringe benefits excluded from gross income under section 132. These benefits include the following.

- No-additional cost service.
- Qualified employee discount.
- De minimis fringe.
- Reimbursements under an accountable plan.
- Working condition fringe.
- Qualified transportation fringe.
- Qualified moving expense reimbursement.
- Qualified retirement planning services.
- Qualified military base realignment and closure fringe.

De minimis fringe. A *de minimis fringe* is a property or service the value of which, after taking into account the frequency with which similar fringes are provided by the employer to the **employees**, is so small as to make accounting for it unreasonable or administratively impractical.

Working condition fringe. A *working condition fringe* is any property or service provided to an **employee** to the extent that, if the employee paid for the property or service, the payment would be deductible by the employee under section 162 (ordinary and necessary business expense) or section 167 (depreciation).

In some cases, property provided to employees may be used partly for business and partly for personal purposes, such as automobiles. In that case, the value of the personal use of such property is taxable **compensation**, and the value of the use for business purposes properly accounted for is a working condition fringe benefit. Cell phones provided to employees primarily for business purposes (other than compensation) are a working condition fringe benefit; in such case, the employee's personal use is a de minimis fringe. See Notice 2011-72, 2011-38 I.R.B. 407. See Pub. 587, Business Use of Your Home, for special rules regarding deductibility of home expenses for business use.

Accountable plan amounts. An *accountable plan* is a reimbursement or other expense allowance arrangement that meets each of the following rules.

1. The expenses covered under the plan must be reasonable employee business expenses that are deductible under section 162 or other provisions of the Code.

2. The **employee** must adequately account to the employer for the expenses within a reasonable period of time.

3. The employee must return any excess allowance or reimbursement within a reasonable period of time. See Regulations section 1.62-2 and Pub. 535, Business Expenses, for explanations of accountable plans.

The method by which benefits under an accountable plan are provided (whether reimbursement, cash advances with follow-up accounting, or charge by the employee on company credit card) isn't material. Payments that don't qualify under the accountable plan rules, such as payments for which the employee didn't adequately account to the organization, or allowances that were more than the payee spent on serving the organization, are compensation.

Directors and trustees are treated as employees for purposes of the working condition fringe provisions of section 132. Therefore, treat cash payments to directors or trustees made under circumstances substantially identical to the accountable plan provisions as a section 132 working condition fringe.

See Pub. 15-B, Employer's Tax Guide to Fringe Benefits; Pub. 521, Moving Expenses; and *Unreimbursed Employee Expenses* in Pub. 529, Miscellaneous Deductions, for further explanation of section 132 fringe benefits and for determining whether a given section 132 fringe benefit is available to nonemployees, such as directors and trustees, or to persons who no longer work for the organization.

Column (F). Enter in column (F) any payment reported in this year's column (B) to the extent such payment was already reported as deferred compensation to the listed person on a prior Form 990, 990-EZ, or 990-PF. For this purpose, the amount must have been reported as compensation specifically for the listed person on the prior form.

Part III. Supplemental Information

Use Part III to provide narrative information, explanations, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. List in Part III the name of each unrelated organization that provided compensation to persons listed in Form 990, Part VII, Section A; the type and amount of compensation the unrelated organization paid or accrued; and the person receiving or accruing such compensation. Also use Part III to provide other narrative explanations and descriptions, as applicable. Identify the specific part and line(s) that the response supports.

No substantive changes were made to Schedule K in 2022.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule K (Form 990)

Supplemental Information on Tax-Exempt Bonds

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule K (Form 990) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990, Return of Organization Exempt From Income Tax.

Purpose of Schedule

Schedule K (Form 990) is used by an organization that files Form 990 to provide certain information on its outstanding liabilities associated with tax-exempt **bond issues**. Usually, a bond issue associated with an exempt organization will consist of qualified 501(c)(3) bonds, but all types of tax-exempt bonds benefiting the organization must be reported. A qualified 501(c)(3) bond issue consists of bonds, the proceeds of which are used by a section 501(c)(3) organization to further its charitable purpose. Generally, applicable requirements for qualified 501(c)(3) bonds under section 145 include the following.

- All property financed by the bond issue is to be owned by a section 501(c)(3) organization or a state or local **governmental unit**.
- At least 95% of the net proceeds of the bond issue are used by either a state or local governmental unit or a section 501(c)(3) organization in activities that don't constitute **unrelated trades or businesses** (determined by applying section 513).

If the organization has one or more **related organizations** (for example, parent and subsidiary relationship), it must complete Schedule K (Form 990) consistent with the filing(s) of its related organization(s). The same liability shouldn't be reported by more than one of the related organizations. For example, if a parent organization issues a **tax-exempt bond** and loans or allocates that issue to a subsidiary organization, only one organization (either the parent or subsidiary) should report the liability on Form 990 and the Schedule K. Similarly, if a parent organization loans or allocates the proceeds of a tax-exempt bond issue to a group of subsidiary organizations, only one level (either the parent or the group of subsidiaries) should report the liability on Form 990 and the Schedule K. For this purpose, if the subsidiary organizations report the liability, each subsidiary should only report the amount it is loaned or allocated.

If the organization's bond liability relates to a pooled financing issue, the organization should report with respect to the amount of the issue that the organization is loaned or allocated.

Use Part VI to provide additional information or comments relating to the information provided on this schedule. For example, use Part VI to provide additional information or comments about the reporting of liabilities by related organizations. In addition, use Part VI to describe certain assumptions that are used to complete Schedule K (Form 990) when the information provided isn't fully supported by existing records.

Who Must File

An organization that answered "Yes" on Form 990, Part IV, *Checklist of Required Schedules*, question 24a, must complete and attach Schedule K to Form 990. This means the organization reported an outstanding tax-exempt **bond issue** that:

- Had an outstanding principal amount in excess of $100,000 as of the last day of the tax year, and
- Was issued after December 31, 2002.

Up to four separate outstanding tax-exempt liabilities can be reported on each Schedule K (Form 990). The schedule can be duplicated if needed to report more than four tax-exempt liabilities. If the organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Period Covered

The organization can complete this schedule for any tax-exempt liability using the same period as the Form 990 with which it is filed. Alternatively, the organization can use any other 12-month period or periods selected by the organization and that, used consistently for a tax-exempt liability for purposes of this schedule and computations, is in accordance with the requirements under sections 141 through 150. Under this alternative, the organization can use different 12-month periods for each tax-exempt liability reported. The alternative period(s) must be specifically described in Part VI.

Specific Instructions

Definitions

Tax-exempt bond. This is an obligation issued by or on behalf of a **governmental issuer** for which the interest paid is excluded from the holder's gross income under section 103. For this purpose, a bond can be in any form of indebtedness under federal tax law, including a bond, note, loan, or lease-purchase agreement.

Bond issue. This is an issue of two or more bonds that are sold at substantially the same time, sold pursuant to the same plan of financing, and payable from the same source of funds. See Regulations section 1.150-1(c).

Defeasance escrow. This is an irrevocable escrow established in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premium on, bonds from the date the escrow is established. See Regulations section 1.141-12(d)(6). A **defeasance escrow** can be established for several purposes, including the remediation of nonqualified bonds when the defeasance provides for redemption of bonds on the earliest call date. However, for purposes of completing this schedule, an escrow

established with proceeds of a **refunding issue** to defease a prior issue is referred to as a refunding escrow.

Governmental issuer. A state or local **governmental unit** that issues **tax-exempt bonds**.

Gross proceeds. This generally means any sale proceeds, investment proceeds, transferred proceeds, and replacement proceeds of an issue. See Regulations sections 1.148-1(b), 1.148-1(c), and 1.148-9(b).

Pooled financing issue. This is a bond issue from which more than $5 million of proceeds will be used to make loans to two or more conduit borrowers.

Private business use. **Private business use** means use of the proceeds of an issue by the organization or another section 501(c)(3) organization in an unrelated trade or business as defined by section 513. Private business use also generally includes any use by a nongovernmental person other than a section 501(c)(3) organization unless otherwise permitted through an exception or safe harbor provided under the regulations or a revenue procedure.

Proceeds. This generally means the sale proceeds of an issue (other than those sale proceeds used to retire bonds of the issue that aren't deposited in a reasonably required reserve or replacement fund). Proceeds also include any investment proceeds from investments that accrue during the project period (net of rebate amounts attributable to the project period). See Regulations section 1.141-1(b).

Refunding escrow. This is one or more funds established as part of a single transaction or a series of related transactions, containing **proceeds** of a **refunding issue** and any other amounts to provide for payment of principal or interest on one or more prior issues. See Regulations section 1.148-1(b).

Refunding issue. This is an issue of obligations the proceeds of which are used to pay principal, interest, or redemption price on another issue (a prior issue), including the issuance costs, accrued interest, capitalized interest on the **refunding issue**, a reserve or replacement fund, or similar costs, if any, properly allocable to that refunding issue. A *current refunding issue* is a refunding issue that is issued not more than 90 days before the last expenditure of any proceeds of the refunding issue for the payment of principal or interest on the prior issue. An *advance refunding issue* is a refunding issue that isn't a current refunding issue. See Regulations sections 1.150-1(d)(1), (3), and (4).

Special rules for refunding of pre-2003 issues. Bonds issued after December 31, 2002, to refund bonds issued before January 1, 2003, have special reporting requirements. Such refunding bonds are subject to the generally applicable reporting requirements of Parts I, II, and IV. However, the organization need not complete lines 1 through 9 of Part III to report private business use information for the issue for such refunding bonds. These special rules don't apply to bonds issued after December 31, 2002, to refund directly or through a series of refunding bonds that were also originally issued after 2002.

Example 1. Refunding of pre-2003 bonds. Bonds issued in 2002 to construct a facility were current refunded in 2017. In 2020, bonds were issued to current refund the 2017 bonds. As of December 31, 2022, the last day of the organization's **tax year**, the 2020 refunding bonds had an outstanding principal amount exceeding $100,000. The organization must list the refunding bond issue in Part I for each year the outstanding principal amount exceeds $100,000 as of the last day of such year, and must provide all Part I, Part II, and Part IV information for such **refunding issue**. Because the original bonds were issued prior to 2003, the organization need not complete Part III for the refunding bond issue.

Example 2. Refunding of post-2002 bonds. Bonds issued in 2014 were advance refunded in 2017. As of December 31, 2022, the last day of the organization's **tax year**, the **refunding issue** had an outstanding principal amount exceeding $100,000. The organization must list the refunding issue in Part I for each year the outstanding principal amount exceeds $100,000 as of the last day of the year, and must provide all Part I, Part II, Part III, and Part IV information for such refunding issue. If any outstanding bonds of the 2014 bond issue weren't legally defeased, the organization must also list the 2014 bond issue in Part I, and must provide all Part I, Part II, Part III, and Part IV information for such bond issue.

Part I. Bond Issues

In Part I, provide the requested information for each outstanding tax-exempt **bond issue** (including a **refunding issue**) that:

- Had an outstanding principal amount in excess of $100,000 as of the last day of the **tax year** (or other selected 12-month period), and
- Was issued after December 31, 2002.

For this purpose, bond issues that have been legally defeased in whole, and as a result are no longer treated as a liability of the organization, need not be listed in Part I and aren't subject to the generally applicable reporting requirements of Parts I, II, III, and IV.

Note. Continued compliance with federal tax law requirements is required with respect to defeased bonds.

Use one row for each issue, and use the Part I row designation for a particular issue (for example, “A” or “B”) consistently throughout Parts I through IV. The information provided in columns (a) through (d) should be consistent with the corresponding information included on Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues, filed by the governmental issuer upon the issuance of the bond issue. Complete multiple schedules if necessary to account for all outstanding post-December 31, 2002, tax-exempt bond issues. In this case, describe in the first Schedule K, Part VI, that additional schedules are included.

Columns (a) and (b). Enter the name and employer identification number (**EIN**) of the issuer of the bond issue. The issuer's name is the name of the entity that issued the **bond issue** (typically, a state or local **governmental unit**). The issuer's name and EIN should be identical to the name and EIN listed on Form 8038, Part I, lines 1 and 2, filed for the bond issue.

Column (c). Enter the Committee on Uniform Securities Identification Procedures (CUSIP) number on the bond with the latest maturity. The CUSIP number should be identical to the CUSIP number listed on Form 8038, Part I, line 9, filed for the bond issue. If the **bond issue** wasn't publicly offered and there is no assigned CUSIP number, enter zeros in place of the CUSIP number.

Column (d). Enter the issue date of the obligation. The issue date should be identical to the issue date listed on Form 8038, Part I, line 7, filed for the **bond issue**. The issue date is generally the date on which the issuer receives the purchase price in exchange for delivery of the evidence of indebtedness (for example, a bond). In no event is the issue date earlier than the first day on which interest begins to accrue on the bond for federal income tax purposes. See Regulations section 1.150-1(b).

Column (e). Enter the issue price of the obligation. The issue price should generally be identical to the issue price listed on Form 8038, Part III, line 21(b), filed for the **bond issue**. The issue price is generally determined under Regulations sections 1.148-1(b) and 1.148-1(f). If the issue price isn't identical to the issue price listed on the filed Form 8038, use Part VI to explain the difference.

Column (f). Describe the purpose of the **bond issue**, such as to construct a hospital or provide funds to refund a prior issue. If any of the bond proceeds were used to refund a prior issue, enter the date of issue for each of the refunded issues. If the issue has multiple purposes, enter each purpose. If the issue financed various projects or activities corresponding to a related purpose, only enter the purpose once. For example, if proceeds are used to acquire various items of office equipment, the amount of such expenditures should be aggregated and identified with the stated purpose of "office equipment." Alternatively, if proceeds are used to construct and equip a single facility, the expenditures should be aggregated and identified with the stated purpose of "construct & equip facility" where the identification of the facility is distinguishable from other bond-financed facilities, if any. Use Part VI if additional space is needed for this purpose.

Column (g). Check "Yes" or "No" to indicate whether a **defeasance escrow** or **refunding escrow** has been established to irrevocably defease any bonds of the **bond issue**.

Column (h). Check "Yes" if the organization acted as an "**on behalf of issuer**" in issuing the **bond issue**. Check "No" if the organization only acted as the borrower of the bond proceeds under the terms of a conduit loan with the **governmental issuer** of the bond issue.

An "on behalf of issuer" is a corporation organized under the general nonprofit corporation law of a state whose obligations are considered obligations of a state or local **governmental unit**. See Rev. Proc. 82-26, 1982-1 C.B. 476, for a description of the circumstances under which the IRS will ordinarily issue a letter ruling that the obligations of a nonprofit corporation will be issued on behalf of a state or local governmental unit. See also Rev. Rul. 63-20, 1963-1 C.B. 24; Rev. Rul. 59-41, 1959-1 C.B. 13; and Rev. Rul. 54-296, 1954-2 C.B. 59. An "on behalf of issuer" also includes a constituted authority organized by a state or local governmental unit and empowered to issue debt obligations in order to further public purposes. See Rev. Rul. 57-187, 1957-1 C.B. 65.

Column (i). Check "Yes" or "No" to indicate if the **bond issue** was a pooled financing issue.

Part II. Proceeds

Complete for each bond issue listed in rows A through D of Part I. Complete multiple schedules if necessary to account for all outstanding tax-exempt **bond issues**. Note that lines 3 and 5 through 12 concern the amount of proceeds of the bond issue, but line 4 concerns the amount of **gross proceeds** of the bond issue. Because of this, the aggregate of the amounts entered on lines 4 through 12 may not equal the amount entered on line 3.

Line 1. Enter the cumulative principal amount of bonds of the issue that have been retired as of the end of the 12-month period used in completing this schedule.

Line 2. Enter the cumulative principal amount of bonds of the issue that haven't been retired, but have been legally defeased through the establishment of a **defeasance escrow** or a **refunding escrow**, as of the end of the 12-month period.

Line 3. Enter the total amount of proceeds of the **bond issue** as of the end of the 12-month period. If the total proceeds aren't identical to the issue price listed in Part I, column (e), use Part VI to explain the difference (for example, investment earnings).

Line 4. Enter the amount of **gross proceeds** held in a reasonably required sinking fund, pledged fund, or reserve or replacement fund as of the end of the 12-month period. See Regulations sections 1.148-1(c)(2), 1.148-1(c)(3), and 1.148-2(f).

Line 5. Enter the cumulative amount of proceeds used, as of the end of the 12-month period, to pay interest on the applicable portion of the **bond issue** during construction of a financed capital project.

Line 6. Enter the amount of proceeds held in a **refunding escrow** as of the end of the 12-month period. For this purpose only, include investment proceeds without regard to the project period limitation found in the definition of proceeds.

Line 7. Enter the cumulative amount of proceeds used to pay bond issuance costs, including (but not limited to) underwriters' spread as well as fees for trustees and bond counsel as of the end of the 12-month period. Issuance costs are costs incurred in connection with, and allocable to, the issuance of a **bond issue**. See Regulations section 1.150-1(b) for an example list of issuance costs.

Line 8. Enter the cumulative amount of proceeds used to pay fees for credit enhancement that are taken into account in determining the yield on the issue for purposes of section 148(h) (for example, bond insurance premiums and certain fees for letters of credit) as of the end of the 12-month period.

Line 9. Enter the cumulative amount of proceeds used to finance working capital expenditures as of the end of the 12-month period. However, don't report expenditures reported in lines 4, 6, 7, and 8. A working capital expenditure is any cost that isn't a capital expenditure (for example, current operating expenses). See Regulations section 1.150-1(b).

Line 10. Enter the cumulative amount of proceeds used to finance capital expenditures as of the end of the 12-month period. Capital expenditures generally include costs incurred to acquire, construct, or improve land, buildings, and equipment. See Regulations section 1.150-1(b). However, don't report capital expenditures financed by a prior issue that was refunded by the bond issue or capitalized interest that was reported on line 5.

Line 11. Enter the cumulative amount of proceeds used for any item not reported on lines 4 through 10 as of the end of the 12-month period. Include any proceeds used or irrevocably held to redeem or legally defease bonds of the issue.

Line 12. Enter the amount of unspent proceeds as of the end of the 12-month period other than those amounts identified in lines 4, 6, and 11.

Line 13. Enter the year in which construction, acquisition, or rehabilitation of the financed project was substantially completed. A project can be treated as substantially completed when, based upon all the facts and circumstances, the project has reached a degree of completion that would permit its operation at substantially its design level and it is, in fact, in operation at such level. See Regulations section 1.150-2(c). If the **bond issue** financed multiple projects, enter the latest year in which construction, acquisition, or rehabilitation of each of the financed projects was substantially completed. For example, if a bond issue financed the construction of three projects that were substantially completed in 2020, 2021, and 2022, respectively, then enter "2022." If the bond issue financed working capital expenditures, provide the latest year in which the proceeds of the issue were allocated to those expenditures.

Line 14. Check "Yes" if the bonds were issued after 2017 to refund tax-exempt bonds or if the bonds were issued prior to 2018 to currently refund tax-exempt bonds. Otherwise, check "No."

Line 15. Check "Yes" if the bonds were issued after 2017 to refund taxable bonds or if the bonds were issued prior to 2018 to advance refund tax-exempt bonds. Otherwise, check "No."

Line 16. Check “Yes” or “No” to indicate if the final allocation of proceeds has been made. Proceeds of a **bond issue** must be accounted for using any reasonable, consistently applied accounting method. Allocations must be made by certain applicable due dates and are generally not considered final until the expiration of such due dates. See Regulations section 1.148-6.

Line 17. Check “Yes” or “No” to indicate if the organization maintains adequate books and records to support the final allocation of proceeds. Answer this question only with respect to the **tax year** applicable to this schedule.

Part III. Private Business Use

Complete for **bond issues** listed in rows A through D of Part I, other than listed bond issues that are post-December 31, 2002, **refunding issues** which refund pre-January 1, 2003, bond issues directly or through a series of refundings. For this purpose, a refunding bond issue also includes allocation and treatment of bonds of a multipurpose issue as a separate refunding issue under Regulations section 1.141-13(d). Complete multiple schedules if necessary to account for all outstanding **tax-exempt bond** issues.

The organization may omit from Part III information with respect to any bond issue reported in Part I that is a qualified private activity bond other than a qualified 501(c)(3) bond. For any other qualified private activity bonds, in Part VI the organization must identify the issue by reference to rows A through D of Part I, as applicable, and identify the type of qualified private activity bond.

Line 1. Check “Yes” or “No” to indicate if the organization was at any time during the reporting period a partner in a partnership or a member of a limited liability company (LLC) which both owned property that was financed by the **bond issue** and included as partner(s) or member(s) entities other than a section 501(c)(3) organization.

Line 2. Check “Yes” or “No” to indicate if any lease arrangements that may result in **private business use** were effective at any time during the year with respect to property financed by the **bond issue**. The lease of financed property to a nongovernmental person other than a section 501(c)(3) organization is generally private business use. Lease arrangements that constitute unrelated trade or business of the lessor, or that are for an unrelated trade or business of a section 501(c)(3) organization lessee, may also result in private business use. See Regulations sections 1.141-3(b)(3) and 1.145-2(b)(1).

Line 3a. Check “Yes” or “No” to indicate if any management or service contract that may result in **private business use** was effective at any time during the year with respect to property financed by the **bond issue**. For this purpose, answer “Yes” even if the organization has determined that the management or service contract meets the safe harbor under Rev. Proc. 2017-13, 2017-6 I.R.B. 787, available at *Rev. Proc. 2017-13*, and won’t result in actual private business use. A management or service contract for the financed property can result in private business use of the property, based on all facts and circumstances. A management or service contract for the financed property generally results in private business use of that property if the contract provides for compensation for services rendered with compensation based, in whole or in part, on a share of net profits from the operation of the facility. See Regulations section 1.141-3(b)(4). See also Rev. Proc. 2016-44, 2016-36 I.R.B. 316, available at *Rev. Proc. 2016-44*.

Line 3b. If line 3a was checked “Yes,” check “Yes” or “No” to indicate if, during the 12-month period used to report on the bond issue, the organization routinely engaged bond counsel or other outside counsel to review any management or service contracts relating to the financed property.

Line 3c. Check “Yes” or “No” to indicate if any research agreement that may result in private business use was effective at any time during the year for property financed by the **bond issue**. For this purpose, answer “Yes” even if the organization has determined that the research agreement meets the safe harbor under Rev. Proc. 2007-47, 2007-29 I.R.B. 108, available at *Rev. Proc. 2007-47*, and won’t result in actual **private business use**. An agreement by a nongovernmental person to sponsor research performed by the organization can result in private business use of the property used for the research, based on all the facts and circumstances. A research agreement for the financed property will generally result in private business use of that property if the sponsor is treated as the lessee or owner of financed property for federal income tax purposes. See Regulations section 1.141-3(b)(6).

Line 3d. If line 3c was checked “Yes,” check “Yes” or “No” to indicate if, during the 12-month period used to report on the bond issue, the organization routinely engaged bond counsel or other outside counsel to review any research agreements relating to the financed property.

Line 4. Enter the average percentage during the year of the property financed by the **bond issue** that was used in a **private business use** by a nongovernmental person other than a section 501(c)(3) organization. See Regulations section 1.141-3(g)(4). The average percentage is determined by comparing (i) the amount of private business use (see *Definitions*, earlier) during the year to (ii) the total amount of private business use and use that isn't private business use during that year. Don't include costs of issuance reported in Part II in the amount of property used in a private business use (clause (i) of the preceding sentence), but do include such costs in the total amount of use (clause (ii)). Enter the yearly average percentage to the nearest tenth of a percentage point (for example, 8.9%). For this purpose, don't include any use relating to either a management or service contract identified on line 3a that the organization has determined meets the safe harbor under Rev. Proc. 2017-13, or otherwise doesn't result in private business use. See also Rev. Proc. 2016-44. Similarly, don't include any use relating to a research agreement identified on line 3c that the organization has determined meets the safe harbor under Rev. Proc. 2007-47, or otherwise doesn't result in private business use.

Line 5. Enter the average percentage during the year of the property financed by the **bond issue** that was used in an **unrelated trade or business** activity (a **private business use**) by the organization, another section 501(c)(3) organization, or a state or local **governmental unit**. See Regulations section 1.141-3(g)(4). Enter the yearly average percentage rounded to the nearest tenth of a percentage point (for example, 8.9%).

Line 7. Check “Yes” or “No” to indicate whether, as of the end of the 12-month period used to report on the **bond issue**, the bond issue met the private security or payment test of section 141(b)(2), as modified by section 145, to apply to qualified 501(c)(3) bonds. Generally, a qualified 501(c)(3) bond issue will meet the private security or payment test if more than 5% of the payment of principal or interest on the bond issue is either made or secured (directly or indirectly) by payments or property used or to be used for a private business use. See Regulations sections 1.141-4 and 1.145-2.

Line 8a. Check "Yes" or "No" to indicate whether the owner of any of the financed property sold or transferred the property to an entity other than a state or local governmental unit or another section 501(c)(3) organization. For this purpose, report sales and transfers on a cumulative basis since the issuance of the bonds.

Line 8b. If line 8a was checked "Yes," report the percentage of property sold or transferred, including prior transfers on a cumulative basis, since the issuance of the bonds.

Line 8c. If line 8a was checked "Yes," state whether the organization took any remedial actions under the applicable regulations with respect to any nonqualified bonds that may have resulted from the transfer.

Line 9. Check "Yes" or "No" to indicate whether the organization has established written procedures to ensure timely remedial action with respect to all nonqualified bonds in accordance with Regulations sections 1.141-12 and 1.145-2 or other additional remedial actions authorized by the Commissioner under Regulations section 1.141-12(h). Answer "Yes" only if the procedures applied to the bond issue during the 12-month period used to report on the bond issue.

Part IV. Arbitrage

Complete for each **bond issue** listed in rows A through D of Part I. Complete multiple schedules if necessary to account for all outstanding tax-exempt bond issues.

Line 1. Under section 148(f), interest on a state or local bond isn't tax exempt unless the issuer of the bond rebates to the United States arbitrage profits earned from investing proceeds of the bond in higher yielding nonpurpose investments. Issuers of tax-exempt bonds and any other bonds subject to the provisions of section 148 must use Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, to make arbitrage rebate and related payments. Generally, rebate payments are due no later than 60 days after every fifth anniversary of the issue date and the final payment of the bonds. Check “Yes” or “No” to indicate whether the issuer has filed the Form 8038-T that would have been most recently due.

Lines 2a through 2c. If the issuer hasn't filed Form 8038-T for the most recent computation date for which filing would be required if rebate were due, check “Yes” or “No” to indicate whether any of the explanations in lines 2a through 2c apply. If line 2c is checked “Yes,” use Part VI to provide the date of the rebate computation showing that no rebate was due for the applicable computation date.

Line 3. Check “Yes” or “No” to indicate if the **bond issue** is a variable rate issue. A variable rate issue is an issue containing a bond with a yield not fixed and determinable on the issue date.

Lines 4a through 4e. In general, payments made or received by a **governmental issuer** or borrower of bond proceeds under a qualified hedge are taken into account to determine the yield on the **bond issue**. A qualified hedge can be entered into before, at the same time as, or after the date of issue. Check “Yes” or “No” on line 4a to indicate if the organization or the governmental issuer has entered into a qualified hedge and identified it on the governmental issuer's books and records. See Regulations section 1.148-4(h). If the answer to line 4a is “Yes”:

- Enter the name of the provider of the hedge on line 4b;
- Enter the term of the hedge rounded to the nearest tenth of a year (for example, 2.4 years) on line 4c;
- Enter “Yes” or “No” on line 4d to indicate if, as a result of the hedge, variable yield bonds will be treated as fixed yield bonds (superintegration of the hedge) (see Regulations section 1.148-4(h)(4)); and
- Enter “Yes” or “No” on line 4e to indicate if the hedge was terminated prior to its scheduled termination date.

Lines 5a through 5d. Check “Yes” or “No” on line 5a to indicate if any gross proceeds of the **bond issue** were invested in a guaranteed investment contract (GIC). A GIC includes any nonpurpose investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, including “negotiations” through requests for bids. It also includes any agreement to supply investments on two or more dates (for example, a forward supply contract). If the answer on line 5a is “Yes”:

- Enter the name of the provider of the GIC on line 5b,
- Enter the term of the GIC rounded to the nearest tenth of a year on line 5c, and
- Enter “Yes” or “No” on line 5d to indicate if the regulatory safe harbor for establishing fair market value provided in Regulations section 1.148-5(d)(6)(iii) was satisfied.

Line 6. Check “Yes” or “No” to indicate if any **gross proceeds** were invested beyond a temporary period (for example, the 3-year temporary period applicable to proceeds spent on expenditures for capital projects, or the 13-month temporary period applicable to proceeds spent on working capital expenditures), or if any gross proceeds were invested in a reserve or replacement fund in an amount exceeding applicable limits. See Regulations sections 1.148-2(e) and (f).

Line 7. Check “Yes” or “No” to indicate if the organization has established written procedures to monitor compliance with the arbitrage, yield restriction, and rebate requirements of section 148. Answer “Yes” only if the procedures applied to the bond issue during the 12-month period are used to report on the bond issue.

Part V. Procedures To Undertake Corrective Action

Regulations section 1.141-12 and other available remedies for noncompliance may not cover all violations of the requirements of section 145 and other applicable requirements for tax-exempt bonds benefiting the organization. Certain remedial provisions also require that the noncompliance be identified and remedial action taken within a limited time after the deliberate action or other cause of the violation. In instances where applicable remedial provisions aren't available under the regulations, an issuer of bonds may request a voluntary closing agreement to address the violation under the Tax Exempt Bonds Voluntary Closing Agreement Program described under Notice 2008-31, 2008-11 I.R.B. 592. Check “Yes” or “No” to indicate whether the organization has established written procedures to ensure timely identification of violations of federal tax requirements and timely correction of any identified violation(s) through use of the voluntary closing agreement program if self-remediation isn't available under applicable regulations. Answer “Yes” only if the procedures applied during the 12-month period are used to report on the bond issue.

Part VI. Supplemental Information

Use Part VI to provide the narrative explanations required, if applicable, to supplement Part I, columns (e) and (f); to provide additional information or comments relating to the reporting of liabilities by related organizations; and to describe certain assumptions that are used to complete Schedule K (Form 990) when the information provided isn't fully supported by existing records. Also use Part VI to supplement responses to questions on Schedule K (Form 990). Identify the specific part and line number that the response supports, in the order in which the responses appear on Schedule K (Form 990).

2022

No substantive changes were made to Schedule L in 2022.

Department of the Treasury
Internal Revenue Service

Instructions for Schedule L (Form 990)

Transactions With Interested Persons

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 990 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule L (Form 990) is used by an organization that files Form 990 or 990-EZ to provide information on certain financial transactions or arrangements between the organization and a **disqualified person(s)** under section 4958 or other interested persons. Schedule L is also used to determine whether a member of the organization's **governing body** is an independent member for purposes of Form 990, Part VI, line 1b.

Supplemental information. Parts I–IV can be duplicated if additional space is needed. Also, Part V may be used to explain a transaction or to provide additional information.

Who Must File

The chart at the bottom of this page provides which organizations must complete all or a part of Schedule L and must attach Schedule L for Form 990 or 990-EZ.

Note. The organization should answer "Yes" to Form 990, Part IV, lines 28a, 28b, or 28c, only if the party to the transaction was an "interested person" as defined in these instructions, and the threshold amounts described in the specific instructions to Schedule L, Part IV, later, are met.

If an organization isn't required to file Form 990 or 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

For Parts I, II, and III, report all transactions regardless of amount. Part IV instructions provide individual and total reporting thresholds below which reporting isn't required for an interested person.

Each reportable transaction is to be reported in only one part of Schedule L, as described below.

Interested persons. For purposes of Part I, an interested person is a **disqualified person** under section 4958. For purposes of Parts II–IV, an interested person is one of the following.

1. For Form 990 filers, a person required to be listed on Form 990, Part VII, Section A as a current or former **officer, director, trustee,** or **key employee,** and for Form 990-EZ filers, a current officer, director, trustee, or key employee required to be listed on Form 990-EZ, Part IV. For purposes of reporting management company transactions on Part IV, however, a former officer, director, trustee, or key employee of the organization within the last 5 tax years is treated as an interested person whether or not required to be so listed.
2. The creator or founder of the organization, including the sponsoring organizations of a Voluntary Employees' Beneficiary Association (VEBA).
3. A substantial contributor. For purposes of Schedule L, Parts II–IV, a substantial contributor is an individual or organization that made **contributions** during the tax year in the aggregate of at least $5,000, and whose contributions are required to be reported on Schedule B (Form 990), Schedule of Contributors, for the organization's tax year. A substantial contributor may include an employer that contributes to a VEBA.
4. For purposes of Part III, a member of the organization's grant selection committee.
5. A **family member** of any individual described above.
6. A **35% controlled entity** of one or more individuals and/or organizations described above.
7. For purposes of Part III, an **employee** (or child of an employee) of a substantial contributor or of a 35% controlled

Types of Filers—Schedule L

Type of filer	IF you answer "Yes" to	THEN you must complete
Section 501(c)(3), 501(c)(4), or 501(c)(29) organization	Form 990, Part IV, line 25a or 25b (regarding **excess benefit transactions**)	Schedule L, Part I.
Section 501(c)(3) or 501(c)(4)	Form 990-EZ, Part V, line 40b (regarding excess benefit transactions)	Schedule L, Part I.
All organizations	Form 990, Part IV, line 26 (regarding loans)	Schedule L, Part II.
All organizations	Form 990-EZ, Part V, line 38a (regarding loans)	Schedule L, Part II.
All organizations	Form 990, Part IV, line 27 (regarding grants)	Schedule L, Part III.
All organizations	Form 990, Part IV, line 28a, 28b, or 28c (regarding business transactions)	Schedule L, Part IV.

entity of such person, but only if the employee (or child of an employee) received the grant or assistance by the direction or advice of the substantial contributor or designee or of the 35% controlled entity, or under a program funded by the substantial contributor that was intended primarily to benefit such employees (or their children).

Refer to the specific instructions under each Part for information on how to report substantial contributors or those related to substantial contributors.

An interested person for purposes of Parts II–IV doesn't include a section 501(c)(3) organization, an exempt organization with the same tax-exempt status (for example, section 501(c)(3) or 527 status) as the filing organization, or a **governmental unit** or instrumentality. Treat as a section 501(c)(3) organization a foreign organization for which the filing organization has made a reasonable judgment (or has an opinion of U.S. counsel) that the foreign organization is described in section 501(c)(3).

Reasonable effort. The organization isn't required to provide information about a transaction if it is unable to secure sufficient information to conclude that the transaction is reportable after making a **reasonable effort** to obtain such information. An example of a reasonable effort is for the organization to distribute a questionnaire annually to each person that it believes may be an interested person, as described earlier, requesting information relevant to determining whether a transaction is reportable. The questionnaire may include the name and title of each person reporting information, blank lines for the person's signature and signature date, and the pertinent instructions and definitions for Schedule L interested persons and transactions.

Example. A substantial contributor to the organization states that they would like Mr. X and Ms. Y to be beneficiaries of a grant. The organization inquires of the substantial contributor Mr. X or Ms. Y are interested persons with respect to the organization because of a family or business relationship they have with the substantial contributor (using the pertinent instructions and definitions), and the substantial contributor replies in writing that they aren't. Whether they actually are interested persons or not, the organization has made a reasonable effort in this situation.

Part I. Excess Benefit Transactions

(To be completed by section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.)

Line 1. For each **excess benefit transaction** involving an organization described in section 501(c)(3), 501(c)(4), or 501(c)(29), regardless of amount, provide information relating to each of the following.

- Identify in column (a) the **disqualified person(s)** that received an excess benefit in the transaction. If the person has interested person status only as a substantial contributor, a **family member** of a substantial contributor, a **35% controlled entity** of a substantial contributor, or an **employee** of a substantial contributor or 35% controlled entity of a substantial contributor, then enter the term "substantial contributor" or "related to substantial contributor" (as the case may be) instead of the interested person's name, in order to protect the confidentiality of the substantial contributor.
- Identify in column (b) the relationship between the **disqualified person** and the organization (for example, "officer" or "family member of director"). If "substantial contributor" was entered in column (a), enter "substantial contributor" here as well. If "related to substantial contributor" was entered in column (a), then describe the relationship without referring to specific names, for example, "child of employee of **35% controlled entity** of substantial contributor."

If an interested person has status as such other than by being a substantial contributor or related to one, then make no reference to the substantial contributor status. For example, if grantee Jane Smith is both a substantial contributor and the spouse of Director John Smith, then they must be listed by name in column (a), and column (b) must state "spouse of Director John Smith" or words to similar effect.

- Describe the transaction in column (c).
- State in column (d) whether the transaction has been corrected.
- Identify in Part V the organization manager(s), if any, that participated in the transaction, knowing that it was an excess benefit transaction.

Excess benefit transaction. An excess benefit transaction is generally a transaction in which an **applicable tax-exempt organization** directly or indirectly provides to or for the use of a disqualified person an economic benefit the value of which exceeds the value of the consideration received by the organization for providing such benefit. For special section 4958 rules governing transactions with **donor advised funds** and **supporting organizations**, see the special rules under *Section 4958 Excess Benefit Transactions* in Appendix G in the Instructions for Form 990, or Appendix E in the Instructions for Form 990-EZ.

Applicable tax-exempt organizations are generally limited to organizations which (without regard to any excess benefit) are section 501(c)(3) **public charities**, section 501(c)(4) or 501(c)(29) organizations, or organizations that had such status at any time during the 5-year period ending on the date of the excess benefit transaction.

Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations should refer to the Instructions for Form 990, Part IV, lines 25a–25b (or Form 990-EZ, Part V, line 40b) before completing Part I. For more information on excess benefit transactions, section 4958, and special rules for donor advised funds and supporting organizations, see Appendix G in the Instructions for Form 990 (or Appendix E in the Instructions for Form 990-EZ) and Pub. 557, Tax-Exempt Status for Your Organization.

Line 2. Enter the amount of excise tax incurred by **disqualified persons** and organization managers under section 4958 for the transactions reported on line 1, whether or not assessed by the IRS, unless abated. Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code, must be filed to report and pay the tax on excess benefit transactions.

Part II. Loans to and/or From Interested Persons

Report details on loans, including salary advances, payments made pursuant to a split-dollar life insurance arrangement that are treated as loans under Regulations section 1.7872-15, and other advances and receivables (referred to collectively as "loans"), as described on Form 990, Part IV, line 26 (including receivables reported on Form 990, Part X, line 5, 6, or 22); on Form 990-EZ, Part V, line 38a; or on Form 990, Part IV, line 26 (if the organization reported an amount on Form 990, Part X, line 5, 6, or 22). Report only loans between the organization and interested persons that are outstanding as of the end of the organization's **tax year**. Report each loan separately, regardless of amount.

In addition to loans originally made between the organization and an interested person, also report loans originally between the organization and a third party or between an interested person and a third party that were transferred so as to become a debt outstanding between the organization and an interested person.

Exceptions. Don't report the following in Part II.

- **Excess benefit transactions** reported on Schedule L, Part I.
- Advances under an **accountable plan** as described in the instructions for Part II of Schedule J (Form 990), Compensation Information.
- Pledges receivable that would qualify as charitable contributions when paid.
- Accrued but unpaid **compensation** owed by the organization.
- Loans from a credit union made to an interested person on the same terms as offered to other members of the credit union.
- **Tax-exempt bonds** purchased from the filing organization and held by an interested person, so long as the interested person purchased the bonds on the same terms as offered to the general public.
- Deposits into a bank account (when the bank is an interested person) in the ordinary course of business, on the same terms as the bank offers to the general public.
- Receivables for a section 501(c)(9) VEBA from a sponsoring organization or contributing employer of the VEBA, if those receivables were created in the ordinary course of business and have been due for 90 days or fewer.
- Receivables outstanding that were created in the ordinary course of the organization's business on the same terms as offered to the general public (such as receivables for medical services provided by a **hospital** to an officer of the hospital).

Column (a). Identify the interested person that was the debtor or creditor on the loan. If the person has interested person status only as a substantial contributor, a **family member** of a substantial contributor, a **35% controlled entity** of a substantial contributor, or an **employee** of a substantial contributor or 35% controlled entity of a substantial contributor, then enter the term "substantial contributor" or "related to substantial contributor" (as the case may be) instead of the interested person's name, in order to protect the confidentiality of the substantial contributor.

Column (b). Identify the relationship between the interested person and the organization. If "substantial contributor" was entered in column (a), enter "substantial contributor" here as well. If "related to substantial contributor" was entered in column (a), then describe the relationship without referring to specific names, for example, "child of employee of **35% controlled entity** of substantial contributor."

If an interested person has status as such other than by being a substantial contributor or related to one, then make no reference to the substantial contributor status. For example, if grantee Jane Smith is both a substantial contributor and the spouse of Director John Smith, then they must be listed by name in column (a), and column (b) must state "spouse of Director John Smith" or words to similar effect.

Column (c). Describe the organization's purpose for engaging in the loan.

Column (d). Check either "To" or "From," whichever is applicable.

Column (e). Enter the original dollar amount owed (the loan principal).

Column (f). Enter the balance due as of the end of the organization's **tax year**, including outstanding principal, accrued interest, and any applicable penalties and collection costs. For Form 990 filers, the sum total indicated in column (f) must equal the total of Form 990, Part X, Balance Sheet, column (B), lines 5 and 6 (for amounts owed to the organization), and column (B), line 22 (for amounts owed by the organization).

Column (g). Answer "Yes" if any payment by the debtor was past due as of the end of the organization's **tax year**, or if the debtor is otherwise in default under the terms and conditions of the loan.

Column (h). State whether the organization's **governing body** (or a committee of the governing body) approved the loan transaction.

Column (i). State whether the loan is evidenced by a promissory note or other written agreement signed by the debtor.

Part III. Grants or Assistance Benefiting Interested Persons

Report each grant or other assistance (including provision of goods, services, or use of facilities), regardless of amount, provided by the organization to any interested person at any time during the organization's **tax year**. Examples of grants are scholarships, fellowships, discounts on goods or services, internships, prizes, and awards. A grant includes the gift portion of a part-sale, part-gift transaction.

See **Reasonable effort**, *earlier, applicable to Part III.*

Exceptions. Don't report the following in Part III.
- **Excess benefit transactions** reported on Schedule L, Part I.
- Loans reported (or not required to be reported) on Schedule L, Part II.
- Business transactions that don't contain any gift element and that are engaged in to serve the direct and immediate needs of the organization, such as payment of **compensation** (including taxable and nontaxable fringe benefits treated as compensation) to an **employee** or **independent contractor** in exchange for services of comparable value. Some business transactions may be reportable on Schedule L, Part IV.
- Compensation to a person listed on Form 990, Part VII, Section A (including taxable and nontaxable fringe benefits treated as compensation).
- Grants to employees (and their children) of a substantial contributor or 35% controlled entity of a substantial contributor, awarded on an objective and nondiscriminatory basis based on pre-established criteria and reviewed by a selection committee, as described in Regulations section 53.4945-4(b).
- Grants or assistance provided to an interested person as a member of the charitable class or other class (such as a member of a section 501(c)(5), 501(c)(6), or 501(c)(7) organization) that the organization intends to benefit in furtherance of its exempt purpose, if provided on similar terms as provided to other members of the class, such as short-term disaster relief, poverty relief, or trauma counseling. However, grants for travel, study (such as scholarships or fellowships), or other similar purposes (such as to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee) like those described in section 4945(d)(3) aren't excluded from reporting under this exception. (But see *Schools*, later, for instructions on how to report grants, scholarships, and other assistance from colleges, universities, and primary and secondary schools.) Grants that are awards recognizing past achievements also aren't excluded from reporting under this exception. Grants for travel, study, or similar purposes don't include such purposes as short-term disaster relief, poverty relief, or trauma counseling.
- Grants or assistance to a section 501(c)(3) organization.

Column (a). Enter the name of the interested person that benefited from the grant or assistance. If the person has interested person status only as a substantial contributor, a **family member** of a substantial contributor, a **35% controlled entity** of a substantial contributor, or an **employee** of a substantial contributor or 35% controlled entity of a substantial contributor, then enter the term "substantial contributor" or

"related to substantial contributor" (as the case may be) instead of the interested person's name, in order to protect the confidentiality of the substantial contributor.

Column (b). Describe the relationship between the interested person that benefited from the grant or assistance and the organization, such as "spouse of the Director." If "substantial contributor" was entered in column (a), enter "substantial contributor" here as well. If "related to substantial contributor" was entered in column (a), then describe the relationship without referring to specific names, for example, "child of employee of **35% controlled entity** of substantial contributor."

If an interested person has status as such other than by being a substantial contributor or related to one, then make no reference to the substantial contributor status. For example, if grantee Jane Smith is both a substantial contributor and the spouse of Director John Smith, then they must be listed by name in column (a), and column (b) must state "spouse of Director John Smith" or words to similar effect.

Column (c). Enter the total dollar amount of grants and other assistance provided to the interested person during the organization's **tax year**.

Column (d). Describe the type of assistance provided to the interested person.

Column (e). Describe the organization's purpose in providing assistance to the interested person.

Schools. Colleges, universities, and primary and secondary schools aren't required to identify interested persons to whom they provided scholarships, fellowships, and similar financial assistance. Instead, these organizations must, on Part III, group each type of financial assistance (for example, need-based scholarships, merit scholarships, discounted tuition) provided to interested persons on separate lines. For each line, the school should report in column (c), the aggregate dollar amount of each type of assistance, the type of assistance in column (d), and the purpose of the assistance in column (e), unless such reporting would be an unauthorized disclosure of student education records under the Family Educational Rights and Privacy Act (FERPA). Columns (a) and (b) should be left blank for these lines.

Part IV. Business Transactions Involving Interested Persons

Report on Part IV business transactions for which payments were made during the organization's **tax year** between the organization and an interested person, if such payments exceeded the reporting thresholds described below, and regardless of when the transaction was entered into by the parties. The "ordinary course of business" exception to reporting business relationships on Form 990, Part VI, line 2, doesn't apply for purposes of Schedule L, but see the exception below for publicly traded companies.

In general, an organization must report business transactions on Part IV with an interested person if (1) all payments during the **tax year** between the organization and the interested person exceeded $100,000; (2) all payments during the tax year from a single transaction between such parties exceeded the greater of $10,000 or 1% of the filing organization's total revenue for the tax year; (3) **compensation** payments during the tax year by the organization to a **family member** of a current or former officer, director, trustee, or key employee of the organization listed on Form 990, Part VII, Section A, exceeded $10,000; or (4) in the case of a joint venture with an interested person, the organization has invested $10,000 or more in the joint venture, whether or not during the tax year, and the profits or capital interest of the organization and of the interested person each exceeds 10% at some time during the tax year.

Business transactions. Business transactions include but aren't limited to joint ventures and contracts of sale, lease, license, insurance, and performance of services, whether initiated during the organization's **tax year** or ongoing from a prior year.

Certain management company transactions with former officers, etc. A business transaction also includes a transaction between the organization and a **management company** of which a former officer, director, trustee, or key employee of the organization (within the last 5 **tax years**, even if not listed on Form 990, Part VII, Section A, because the individual didn't receive any compensation from the organization) is a direct or indirect 35% owner (as measured by stock ownership (voting power or value, whichever is greater) of a corporation, profits or capital interest (whichever is greater) in a partnership or limited liability company, or beneficial interest in a trust), or an officer, director, or trustee.

Aggregate reporting. The organization can aggregate multiple individual transactions between the same parties, or list them separately. If aggregation is chosen, report the aggregate amount in column (c) and describe the various types of transactions (for example, "consulting," "rental of real property") in column (d).

Exceptions. Don't report the following in Part IV.

- **Excess benefit transactions** reported on Schedule L, Part I.
- Loans reported (or not required to be reported) on Schedule L, Part II.
- Grants and other assistance reported (or not required to be reported) on Schedule L, Part III (however, this exception doesn't apply to transactions covered by the business transaction exception described in the Part III instructions earlier; such transactions may need to be reported in Part IV).
- **Compensation** reported on Form 990, Part VII, Section A, unless the compensation was to a family member of another person reported on Form 990, Part VII, Section A.
- Deposits into or withdrawals from a bank account (when the bank is an interested person) in the ordinary course of business, on the same terms as the bank offers to the general public.
- The organization's charging of membership dues to its officers, directors, etc.
- If the organization transfers funds to an interested person to make investments on behalf of the organization as its agent or contractor (but not as part of a joint venture), the amount of the transaction for purposes of Part IV reporting isn't the entire amount transferred but the management fees or other service fees or carried interest (if any) of the interested person.
- Transactions with publicly traded companies in the ordinary course of the publicly traded company's business, on the same terms as it generally offers to the public (or more favorable for the filing organization).

Example 1. T, a **family member** of an **officer** of the organization, serves as an **employee** of the organization and receives during the organization's **tax year** compensation of $15,000, which isn't more than 1% of the organization's total revenue. The organization is required to report T's compensation as a business transaction on Schedule L, Part IV, because the organization's compensation to a family member of an officer exceeds $10,000, whether or not T's compensation is reported on Form 990, Part VII.

Example 2. X, the child of a current **director** listed on Form 990, Part VII, Section A, is a first-year associate at a law partnership that the organization pays $150,000 during the organization's tax year. The organization isn't required to report this business transaction on account of X's employment relationship to the law firm.

Example 3. The facts are the same as in *Example (2)*, except that X is a partner of the law firm and has an ownership interest in the law firm of 36% of the profits. The organization must report the business transaction because the law firm is a 35% controlled entity of X and the dollar amount is in excess of the $100,000 aggregate threshold.

Example 4. The facts are the same as in *Example (3)*, except that the law firm entered into the transaction with the organization before X's parent became a director of the organization. X's parent became a director during the organization's tax year. The organization must report all payments made during its tax year to the law firm for the transaction.

Example 5. The facts are the same as in *Example (3)*, except that X is the child of a former director listed on Form 990, Part VII, Section A. The organization is required to report the business transaction, as family members of former directors listed in Part VII are interested persons.

Example 6. The facts are the same as in *Example (3)*, except that the organization pays $75,000 in total during the organization's tax year for 15 separate transactions to collect debts owed to the organization. None of the transactions involves payments to the law partnership in excess of $10,000. The organization isn't required in this instance to report the business transactions, because the dollar amounts don't exceed either the $10,000 transaction threshold or the $100,000 aggregate threshold.

Example 7. The facts are the same as in *Example (6)*, except that the organization pays $105,000 instead of $75,000. Because the aggregate payments for the business transactions exceed $100,000, the organization must report all the business transactions. The organization can report the transactions on an aggregate basis or list them separately.

Column (a). Enter the name of the interested person involved in the direct or indirect business relationship with the organization. If the person has interested person status only as a substantial contributor, a **family member** of a substantial contributor, a **35% controlled entity** of a substantial contributor, or an **employee** of a substantial contributor or 35% controlled entity of a substantial contributor, then enter the term "substantial contributor" or "related to substantial contributor" (as the case may be) instead of the interested person's name, in order to protect the confidentiality of the substantial contributor.

Column (b). Enter the relationship between the interested person and the organization. For example:

- **Key employee** of the organization;
- **Family member** of the former Director; or
- Entity more than 35% owned by (1) the former Director, and (2) the President. If "substantial contributor" was entered in column (a), enter "substantial contributor" here as well. If "related to substantial contributor" was entered in column (a), then describe the relationship without referring to specific names, for example, "child of employee of **35% controlled entity** of substantial contributor."

If an interested person has status as such other than by being a substantial contributor or related to one, then make no reference to the substantial contributor status. For example, if grantee Jane Smith is both a substantial contributor and the spouse of Director John Smith, then they must be listed by name in column (a), and column (b) must state "spouse of Director John Smith" or words to similar effect.

Column (c). The dollar amount of the transaction is the cash or **fair market value** of other assets and services provided by the organization during the **tax year**, net of reimbursement of expenses. For **joint ventures** with interested persons, report the total amount invested by the organization in the joint venture as of the end of the organization's tax year, whether or not the organization invested any part of the amount during the tax year.

Column (d). Describe the transaction(s) by type, such as employment or **independent contractor** arrangement, rental of property, or sale of assets.

Column (e). Check "Yes" if all or part of the consideration paid by the organization is based on a percentage of revenues of the organization. For instance, check "Yes" if a management fee is based on a percentage of revenues, or a legal fee owed to outside attorneys by a public interest law firm is a percentage of the amount collected.

Part V. Supplemental Information

Use Part V if the organization needs additional space to explain a transaction or provide additional information. On Part V, identify the specific part and line number that each response supports, in the order in which those parts and lines appear on Schedule L (Form 990). Part V can be duplicated if more space is needed.

No substantive changes were made to Schedule M in 2022.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Schedule M (Form 990), such as legislation enacted after the schedule and its instructions were published, go to *www.irs.gov/Form990*.

Note: Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule M (Form 990) is used by an organization that files Form 990 to report the types of **noncash contributions** received during the year by the organization and certain information regarding such **contributions**. The schedule requires reporting of the quantity and the reported financial statement amount of noncash contributions received by type of property. Report noncash donated items even if sold immediately after received. Don't report noncash contributions received by the organization in a prior year. Don't report donations of services or the donated use of facilities, equipment, or materials donated.

Who Must File

An organization that answered "Yes" to Form 990, Part IV, lines 29 or 30, must complete Schedule M (Form 990) and attach it to Form 990. This means an organization that reported more than $25,000 of aggregate **noncash contributions** on Form 990, Part VIII, line 1g, or that during the year received **contributions** of **art**, **historical treasures**, or other similar assets, or **qualified conservation contributions**, regardless of whether it reported any revenues for such contributions in Part VIII.

If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Types of Property

Column (a). Check the box if during the year the organization received any contributions of the property type identified.

Column (b). For each type of property received during the year, enter the number of **contributions** or the number of items contributed, determined in accordance with the organization's recordkeeping practices. Explain in Part II of this schedule whether the organization is reporting the number of contributions or the number of items received, or a combination of both methods. As described below, for contributions of securities, such as publicly traded stock, treat each separate gift (rather than each share received) as an item for this purpose.

Organizations that receive contributions of books, publications, clothing, and household goods aren't required to complete column (b) for those items reported on lines 4 and 5.

Columns (c)–(d). In column (c), enter the revenues reported on Form 990, Part VIII, line 1g, for the appropriate property type. If none were reported, enter "0."

In column (d), describe the method used to determine the amount reported on Form 990, Part VIII, line 1g (for example, cost or selling price of the donated property, sale of comparable properties, replacement cost, opinions of experts, etc.). See Pub. 561, Determining the Value of Donated Property, for more information.

Example 1. A used car in poor condition is donated to a local high school for use by students studying car repair. A used car guide shows the dealer retail value for this type of car in poor condition is $1,600. However, the guide shows the price for a private party sale of the car is only $750. The fair market value of the car is considered to be $750, which is the amount the organization reported on Form 990, Part VIII, line 1g. In column (c), the organization should enter $750. In column (d), the organization should enter "sale of comparable properties and/or opinion of expert" as the method used to determine fair market value.

Example 2. An organization primarily receives bulk donations of clothing, household goods, and other similar items, intended for resale. Under its permitted financial reporting practices, it doesn't recognize or record revenue at the time of receipt of the contribution, but instead records such items in inventory and reports contribution revenues at the time of sale based on prior inventory turnover experience. In column (c), the organization can enter the amount that represents the total estimated amount of annual sales revenue for each type of property received under its permitted financial reporting method, and in column (d), enter "resale value or annual sales revenue" as the method of determining revenue.

Museums and other organizations that don't report contributions of **art**, **historical treasures**, and other similar items as revenue, as permitted under generally accepted accounting principles, enter "0" in column (c) and leave column (d) blank. The organization can explain in Part II that a zero amount was reported on Form 990, Part VIII, line 1g, because the museum did not capitalize its collections, as allowed under Financial Accounting Standards Board Accounting Standards Codification 958-360-25 (ASC 958-360-25).

An organization that received **qualified conservation contributions** or **conservation easements** must report column (c) revenue consistent with how it reports revenue from such contributions in its books, records, and financial statements. The organization must also report revenue from such qualified conservation contributions and conservation easements consistently with how it reports such revenue in Form 990, Part VIII.

Line 1. Works of art include paintings, sculptures, prints, drawings, ceramics, antiques, decorative arts, textiles, carpets, silver, photography, film, video, installation and multimedia arts, rare books and manuscripts, historical memorabilia, and other similar objects. Works of art don't include **collectibles** reported on line 18 or taxidermy reported on line 21.

Line 2. An **historical treasure** is a building, structure, area, or property with recognized cultural, aesthetic, or historical value that is significant in the history, architecture, archeology, or culture of a country, state, or city.

Line 3. A **contribution** of a fractional interest in art is a contribution, not in trust, of an undivided portion of a donor's entire interest in a **work of art**. A contribution of the donor's entire interest must consist of a part of each substantial interest or right the donor owns in such work of art and must extend over the entire term of the donor's interest in the property. A gift generally is treated as a gift of an undivided portion of a donor's entire interest in property if the donee is given the right, as a tenant in common with the donor, to possession, dominion, and control of the property for a portion of each year appropriate to its interest in such property. For each work of art or item, report in column (b) the fractional interest for each year an interest in the property is received for the underlying work of art or item. See section 170(o) for special rules for fractional gifts.

Line 4. Enter information about **contributions** of all books and publications. Don't include rare books and manuscripts reported on line 1, **collectibles** reported on line 18, and archival records reported on lines 25 through 28.

Line 5. Enter information about clothing items and **household goods** that were in good used condition or better. Clothing items and household goods that weren't in good used condition or better are to be reported as a separate type in "Other" beginning with line 25.

Lines 6–7. On line 6, include only **contributions** of motor vehicles manufactured primarily for use on public streets, roads, and highways. Don't include on lines 6 or 7 contributions of the donor's stock in trade or property held by the donor primarily for sale to customers in the ordinary course of a trade or business. The organization is required to furnish to the donor and file with the IRS Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes, for contributions reported on these lines. See Form 990, Part V, line 7h.

Line 8. Intellectual property is any patent, copyright (other than a copyright described in section 1221(a)(3) or 1231(b)(1)(C)), trademark, trade name, trade secret, know-how, software (other than software described in section 197(e)(3)(A)(i)), or similar property. The organization is required to furnish to the donor and file with the IRS Form 8899, Notice of Income From Donated Intellectual Property, for certain contributions on this line. See Form 990, Part V, line 7g.

Line 9. Publicly traded securities means **securities** for which (as of the date of the contribution) market quotations are readily available on an established securities market. For each **security**, treat each separate gift (rather than each share received) as a **contribution** for this purpose. Include on this line interests in publicly traded partnerships, limited liability companies or trusts, and publicly traded corporations.

Line 10. Closely held stock means shares of stock issued by a corporation that isn't publicly traded. For each **security**, treat each separate gift (rather than each share received) as a **contribution** for this purpose.

Line 11. Enter information about **contributions** of interests in a partnership, limited liability company, or trust that isn't publicly traded. For each **security**, treat each separate gift (rather than each share received) as a contribution for this purpose.

Line 12. Enter information about **contributions** of **securities** that aren't reported on lines 9 through 11. For each **security**, treat each separate gift (rather than each share received) as a contribution for this purpose.

Lines 13–14. A **qualified conservation contribution** is a contribution of a qualified real property interest to a qualified organization exclusively for conservation purposes. A qualified real property interest means any of the following interests in real property.

1. The entire interest of the donor,

2. A remainder interest, or

3. A restriction (an easement), granted in perpetuity, on the use that may be made of the real property.

A *qualified organization* means an organization that is:

1. A **governmental unit** described in section 170(c)(1);

2. A publicly supported charitable organization described in sections 501(c)(3) and 170(b)(1)(A)(vi) or section 509(a)(2) (see the instructions for Parts II and III of Schedule A (Form 990)); or

3. A **supporting organization** described in sections 501(c)(3) and 509(a)(3) that is controlled by a governmental unit or a publicly supported charitable organization.

In addition, a qualified organization must have a commitment to protect the conservation purposes of a qualified conservation contribution, and have the resources to enforce those restrictions.

A conservation purpose means:

1. The preservation of land areas for outdoor recreation used by, or for the education of, the general public;

2. The protection of a relatively natural habitat of fish, wildlife, plants, or similar ecosystems;

3. The preservation of open space (including farmland and forest land) where such preservation is for the scenic enjoyment of the general public or pursuant to a clearly delineated federal, state, or local governmental conservation policy; or

4. The preservation of an historically important land area or a certified historic structure.

See section 170(h) for additional information, including special rules for the conservation purpose requirement for buildings in registered historic districts.

On line 13, enter information about contributions of a qualified real property interest that is a restriction for the exterior of a certified historic structure. A **certified historic structure** is any building or structure listed on the National Register of Historic Places as well as any building certified as being of historic significance to a registered historic district. See section 170(h)(4)(B) for special rules that apply to contributions made after August 17, 2006.

On line 14, enter information about qualified conservation contributions other than those entered on line 13. This includes **conservation easements** to preserve land areas for outdoor recreation used by, or for the education of, the general public; to protect a relatively natural habitat or ecosystem; to preserve open space; or to preserve an historically important land area.

Line 15. Enter information about **contributions** of residential real estate. Include information about contributions (not in trust) of a remainder interest in a personal residence that wasn't the donor's entire interest in the property. The term "personal residence" includes any property used by the donor as a personal residence but isn't limited to the donor's principal residence. The term personal residence also includes stock owned by the donor as a tenant-stockholder in a cooperative housing corporation if the dwelling the donor is entitled to occupy as a tenant-stockholder is used by the donor as a personal residence. Don't enter information about contributions of the use of facilities or property, as such contributions aren't reportable on Form 990, Part VIII.

Line 16. Enter information about **contributions** of commercial real estate, such as a commercial office building. Include information about contributions (not in trust) of a remainder interest in a farm that wasn't the donor's entire interest in the property. The term "farm" refers to land used for the production of crops, fruits, or other agricultural products, or for the maintenance of livestock. A farm includes the improvements located on the farm property.

Line 17. Enter information about real estate interests not reported on lines 15 or 16.

Line 18. Collectibles include autographs, sports memorabilia, dolls, stamps, coins, books (other than books and publications reported on line 4), gems, and jewelry (other than costume jewelry reported on line 5), but not art reported on lines 1 through 3, or historical artifacts or scientific specimens reported on lines 22 or 23.

Line 19. Enter information about food items, including food inventory contributed by corporations and other businesses.

Line 20. Enter information about drugs, medical supplies, and similar items contributed by corporations and other businesses that manufactured or distributed such items.

Line 21. "Taxidermy" property means any work of art that is the reproduction or preservation of an animal, in whole or in part; is prepared, stuffed, or mounted to recreate one or more characteristics of the animal; and contains a part of the body of the dead animal.

Line 22. Enter information about historical artifacts such as furniture, fixtures, textiles, and household items of an historic nature. Don't include **Art** reported on lines 1 through 3, or any archeological artifacts reported on line 24.

Line 23. Scientific specimens include living plant and animal specimens, natural and physical sciences specimens (such as rocks and minerals), and objects or materials that relate to, or exhibit, the methods or principles of science.

Line 24. Enter information about archeological and ethnographical artifacts, other than **Art** reported on lines 1 through 3, and historical artifacts reported on line 22. An archaeological artifact is any object over 250 years old and is normally discovered as a result of scientific excavation, clandestine or accidental digging for exploration on land, or under water. Ethnological artifacts are objects that are the product of a tribal or nonindustrial society, and important to the cultural heritage of a people because of its distinctive characteristics, comparative rarity, or its contribution to the knowledge of the origins, development, or history of that people.

Lines 25–28. Use lines 25 through 28 to separately report other types of property not described above or reported on previous lines. These include items that didn't satisfy specific charitable deduction requirements applicable to the **contribution** of such type of property, but that were contributed to the organization, such as clothing and **household goods** that weren't in good used or better condition, and **conservation easements** that the organization knows don't constitute **qualified conservation contributions**.

Self-created items, such as personal papers and manuscripts, including archival records, are to be listed separately as a type. Archival records are materials of any kind created or received by any person, family, or organization in the conduct of their affairs that are preserved because of the enduring value of the information they contain or as evidence of the functions and responsibilities of their creator.

Donations of items used by the organization at a charitable auction (other than goods sold by the charity at the auction, which should be reported on lines 1 through 24, as appropriate), such as food served at the event or floral centerpieces, can be reported separately on lines 25 through 28. **Noncash contributions** don't include donations of services or donated use of materials, equipment, or facilities, which may be reported in the narrative section of Form 990, Part III, line 4.

Line 29. Enter the number of Forms 8283, Noncash Charitable Contributions, received by the organization during the year for **contributions** for which the organization completed Form 8283, Part V.

Lines 30a–30b. Answer "Yes" to line 30a if the organization received during the year a **noncash contribution** reportable on lines 1 through 28 for which the organization is required, by the terms of the gift or otherwise, to hold the property for at least 3 years from the date of the **contribution** and which property is not required to be used for exempt purposes for the entire holding period. An organization that answers "Yes" to line 30a must describe the arrangement in Part II.

Line 31. Answer "Yes" if the organization has a gift acceptance policy that requires the review of any nonstandard contributions. A non-standard contribution includes a contribution of an item that isn't reasonably expected to be used to satisfy or further the organization's exempt purposes (aside from the need of such organization for income or funds) and for which (a) there is no ready market to which the organization can go to liquidate the contribution and convert it to cash, and (b) the value of the item is highly speculative or difficult to ascertain. For example, the contribution of a taxpayer's successor member interest of the type described in Notice 2007-72, 2007-36 I.R.B. 544 available at *www.irs.gov/pub/irs-irbs/irb07-36.pdf*, is a nonstandard contribution for this purpose.

Lines 32a–32b. Answer "Yes" to line 32a if the organization hires or uses third parties or related organizations to solicit, process, or sell **noncash contributions**. Answer "No" if the only third party used by the organization to solicit, process, or sell noncash contributions is a broker who sells publicly traded securities received by the organization as a gift. An organization that answers "Yes" to line 32a must describe these arrangements in Part II.

Line 33. If applicable, describe in Part II why the organization didn't report revenue in column (c) for a type of property for which column (a) is checked.

Part II. Supplemental Information

Use Part II to provide narrative information required in Part I, column (b), and Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also use Part II to provide other narrative explanations and descriptions, as needed. Identify the specific line number that the response supports. Part II can be duplicated if more space is needed.

No substantive changes made to Schedule N in 2022.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Schedule N (Form 990), such as legislation enacted after the schedule and its instructions were published, go to *www.irs.gov/Form990*.

Note: Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990.

Purpose of Schedule

Schedule N (Form 990) is used by an organization that files Form 990 or Form 990-EZ to report going out of existence or disposing of more than 25% of its net assets through sale, exchange, or other disposition.

An organization that completely liquidated, terminated, or dissolved and ceased operations during the **tax year** must complete Part I. An organization that was still in the process of winding up its affairs at the end of the tax year, but hadn't completely liquidated, terminated, or dissolved and ceased operations, shouldn't complete Part I, but may need to complete Part II. An organization that has made a **significant disposition of net assets** must complete Part II. For an organization filing Form 990-EZ, see the Instructions for Form 990-EZ, line 36, for Part II reporting requirements. An organization that has terminated its operations and has no plans for future activities must complete only Part I and not Part II of this schedule.

If there are more transactions to report in Parts I and II than space available, those parts can be duplicated to report the additional transactions. Use Part III to report additional narrative information. See Part III instructions later.

Who Must File

Any organization that answered "Yes" to Form 990, Part IV, *Checklist of Required Schedules*, line 31 or 32, or Form 990-EZ, line 36, must complete and attach Schedule N to Form 990 or Form 990-EZ, as applicable.

If an organization isn't required to file Form 990 or Form 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Part I. Liquidation, Termination, or Dissolution

If the organization answered "Yes" to Form 990, Part IV, line 31, it must complete Part I. If the organization answered "Yes" to Form 990-EZ, line 36, because it fully liquidated, dissolved, or terminated during the tax year, it must complete Part I. An organization must answer "Yes" to either of these lines if it has ceased operations and has no plans to continue any activities or operations in the future. This includes an organization that has dissolved, liquidated, terminated, or merged into a successor organization.

An organization must support any claim to have liquidated, terminated, dissolved, or merged by attaching a certified copy of its articles of dissolution or merger. If a certified copy of its articles of dissolution or merger isn't available, the organization may submit resolutions of its governing board approving dissolution or merger, and/or plans of liquidation or merger approved by its governing board. An organization filing Schedule N shouldn't report its liquidation, termination, or dissolution in a letter to IRS Exempt Organizations, Determinations ("EO Determinations"). EO Determinations no longer issues letters confirming that the organization's tax-exempt status was terminated upon its liquidation, termination, or dissolution.

Line 1. List assets transferred in the liquidation, termination, dissolution, or merger.

If there are more transactions to report in Part I than space available, Part I can be duplicated to report the additional transactions.

Column (a). Assets should be aggregated into categories and should be sufficiently described. Separately list related transaction expenses of at least $10,000. A transaction expense consists of a payment to a professional or other third party for services rendered to assist in the transaction or in the winding down of the organization's activities, such as attorney or accountant fees. Brokerage fees shouldn't be included as transaction expenses in column (a), but should be included in the **fair market value (FMV)** amount in column (c).

Column (b). Enter the date the assets were distributed or the date when the transaction expense was paid.

Column (c). Enter the FMV of the asset distributed or the amount of transaction expense paid.

Column (d). Enter the method of valuation for the asset being distributed. Methods of valuation include appraisals, comparables, book value, actual cost (with or without depreciation), and outstanding offers (among other methods). For transaction expenses, provide the method for determining the amount of the expense, such as an hourly rate or fixed fee.

Columns (e) and (f). Enter the **EIN**, name, and address of each recipient of assets distributed or transaction expenses paid. Don't enter social security numbers of individual recipients. For membership organizations that transfer assets to individual members, the names of individual members needn't be reported. Rather, the members may be aggregated into specific classes of membership, or they may be aggregated into one group, if there is only one class of membership.

Column (g). Enter the section of the Internal Revenue Code under which the transferee organization is tax-exempt (for instance, section 501(c)(3) or 501(c)(4)), if it is exempt. For recipients that aren't tax-exempt under a particular section of the Code, enter the type of entity. Examples of types of entities are government agencies or **governmental units**, or limited liability companies (LLCs). Report "individual" if the recipient isn't an entity.

Line 2. Report whether any **officer**, **director**, **trustee**, or **key employee** listed in Form 990, Part VII, Section A, is (or is expected to become) involved in a successor or transferee organization by governing, controlling, or having a financial interest in that organization. "Having a financial interest" includes receiving payments from a successor or transferee organization as an **employee**, **independent contractor**, or in any other capacity.

Line 2a. Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) a director or trustee of a successor or transferee organization.

Line 2b. Check "Yes" if any officer, director, trustee, or key employee listed in Form 990, Part VII, Section A, is (or is expected to become) an employee of, or independent contractor for, a successor or transferee organization.

Line 2c. Check "Yes" if any officer, director, trustee, or key employee listed on Form 990, Part VII, Section A, is (or is expected to become) an owner, whether direct or indirect, in a successor or transferee organization.

Line 2d. Check "Yes" if any officer, director, trustee, or key employee listed on Form 990, Part VII, Section A, has received or is expected to receive "**compensation** or other similar payment" as a result of the liquidation, termination, or dissolution of the organization, whether paid by the organization or a successor or transferee organization. For this purpose, "compensation or other similar payment" includes a severance payment, a "change in control" payment, or any other payment that wouldn't have been made to the individual if the dissolution, liquidation, or termination of the organization hadn't occurred.

Line 2e. If the organization checked "Yes" to any of the other questions on lines 2a through 2d, provide the name of the person involved, and explain in Part III the nature of the listed person's relationship with the successor or transferee organization and the type of benefit received or to be received by the person.

Line 3. Check "Yes" if the organization's assets were distributed in accordance with its governing instrument.

Line 4a. Check "Yes" if the organization is required to notify a state attorney general or other appropriate state official of the organization's intent to dissolve, liquidate, or terminate.

Line 4b. Check "Yes" if the organization provided the notice described in line 4a.

Line 5. Check "Yes" if the organization discharged or paid all of its liabilities in accordance with state law.

Line 6a. Check "Yes" and complete line 6b if the organization had any **tax-exempt bonds** outstanding during the year.

Line 6b. Check "Yes" and complete line 6c if the organization discharged or defeased all of its tax-exempt bond liabilities during the tax year. Leave line 6b blank if the answer to line 6a is "No."

Line 6c. If the organization checked "Yes" on line 6b, explain in Part III how the bond liabilities were discharged, defeased, or otherwise settled during the year. Also provide an explanation if any bond liabilities were discharged, defeased, or otherwise settled other than in accordance with the Code or applicable state law, or if the organization did not discharge or defease any of its bond liabilities. If the organization avoided the need for a defeasance of bonds, such as through the transfer of assets to another section 501(c)(3) organization, provide the name of the transferees of such assets, the CUSIP number of the **bond issue**, and a description of the terms of such arrangements in Part III.

An organization that completes Part I doesn't complete Part II.

Part II. Sale, Exchange, Disposition, or Other Transfer of More Than 25% of the Organization's Assets

If an organization answered "Yes" to Form 990, Part IV, line 32, or Form 990-EZ, line 36, because it made a **significant disposition of net assets** during the **tax year**, it must complete Part II. A significant disposition of the organization's net assets includes a sale, exchange, disposition, or other transfer of more than 25% of the **FMV** of its net assets during the tax year, regardless of whether the organization received full and adequate consideration. A significant disposition of net assets involves:

1. One or more dispositions during the organization's tax year amounting to more than 25% of the FMV of the organization's net assets as of the beginning of its tax year; or

2. One of a series of related dispositions or events commenced in a prior year that, when combined, comprise more than 25% of the FMV of the organization's net assets as of the beginning of the tax year when the first disposition in the series was made. Whether a significant disposition occurred through a series of related dispositions or events depends on the facts and circumstances in each case.

A significant disposition of net assets may result from either an expansion or a contraction of operations. Examples of the types of transactions required to be reported in Part II as significant dispositions of net assets include the following.

- Taxable or tax-free sales or exchanges of exempt assets for cash or other consideration (such as a social club described in section 501(c)(7) selling land or assets it had used to further its exempt purposes).
- Sales, contributions, or other transfers of assets to establish or maintain a partnership, joint venture, or corporation (for-profit or nonprofit) regardless of whether such sales or transfers are governed by section 721 or section 351, and whether or not the transferor receives an ownership interest in exchange for the transfer.
- Sales of assets by a partnership or **joint venture** in which the organization has an ownership interest.
- Transfers of assets pursuant to a reorganization in which the organization is a surviving entity.

The following types of situations aren't required to be reported in Part II.

- The change in composition of **publicly traded securities** held in an exempt organization's passive investment portfolio.
- Asset sales made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes; for instance, gross sales of inventory.
- Grants or other assistance made in the ordinary course of the organization's exempt activities to accomplish the organization's exempt purposes; for instance, the regular charitable distributions of a United Way or other federated fundraising organization.
- A decrease in the value of net assets due to market fluctuation in the value of assets held by the organization.
- Transfers to a **disregarded entity** of which the organization is the sole member.

For purposes of Schedule N, "net assets" means **total assets** less total liabilities. The determination of a significant disposition of net assets is made by reference to the FMV of the organization's net assets at the beginning of the tax year (in the case of a series of related dispositions that commenced in a prior year, at the beginning of the tax year during which the first disposition was made).

Line 1. Refer to the instructions for Part I, line 1, columns (a)–(g), earlier.

If there are more transactions to report in Part II than space available, Part II can be duplicated to report the additional transactions.

Line 2. Refer to the instructions for Part I, line 2, earlier.

Part III. Supplemental Information

Use Part III to provide the narrative information required in Part I, lines 2e, 3, and 6c, and Part II, line 2e. Also use Part III to provide additional narrative explanations and descriptions as necessary to support or supplement any responses in Part I or II. Identify the specific part and line(s) that the response supports. Part III may be duplicated if more space is needed.

No substantive changes were made to Schedule O in 2022.

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Schedule O (Form 990), such as legislation enacted after the schedule and its instructions were published, go to *www.irs.gov/Form990*.

Purpose of Schedule

An organization should use Schedule O (Form 990), rather than separate attachments, to provide the IRS with narrative information required for responses to specific questions on Form 990 or 990-EZ, and to explain the organization's operations or responses to various questions. It allows organizations to supplement information reported on Form 990 or 990-EZ.

Don't use Schedule O to supplement responses to questions in other schedules of the Form 990 or 990-EZ. Each of the other schedules includes a separate part for supplemental information.

Who Must File

All organizations that file Form 990 and certain organizations that file Form 990-EZ must file Schedule O (Form 990). At a minimum, the schedule must be used to answer Form 990, Part VI, lines 11b and 19. If an organization isn't required to file Form 990 or 990-EZ but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Specific Instructions

Use as many continuation sheets of Schedule O (Form 990) as needed.

Complete the required information on the appropriate line of Form 990 or 990-EZ prior to using Schedule O (Form 990).

Identify clearly the specific part and line(s) of Form 990 or 990-EZ to which each response relates. Follow the part and line sequence of Form 990 or 990-EZ.

Late return. If the return isn't filed by the due date (including any extension granted), attach a separate statement giving the reasons for not filing on time. **Don't use** this schedule to provide the late-filing statement.

Amended return. If the organization checked the *Amended return* box on Form 990, *Heading*, item B, or Form 990-EZ, *Heading*, item B, use Schedule O (Form 990) to list each part or schedule and line item of the Form 990 or 990-EZ that was amended.

Group return. If the organization answered "Yes" to Form 990, line H(a), but "No" to line H(b), use a separate attachment to list the name, address, and EIN of each affiliated organization included in the group return. **Don't use** this schedule. See the instructions for Form 990, *I. Group Return*.

Form 990, Parts III, V, VI, VII, IX, XI, and XII. Use Schedule O (Form 990) to provide any narrative information required for the following questions in the Form 990.

1. Part III, *Statement of Program Service Accomplishments*.

a. "Yes" response to line 2.

b. "Yes" response to line 3.

c. Other program services on line 4d.

2. Part V, *Statements Regarding Other IRS Filings and Tax Compliance*.

a. "No" response to line 3b.

b. "Yes" or "No" response to line 13a.

c. "No" response to line 14b.

3. Part VI, *Governance, Management, and Disclosure*.

a. Material differences in voting rights among members of the governing body on line 1a.

b. Delegation of governing board's authority to executive committee on line 1a.

c. "Yes" responses to lines 2 through 7b.

d. "No" responses to lines 8a, 8b, and 10b.

e. "Yes" response to line 9.

f. Description of process for review of Form 990, if any, in response to line 11b.

g. "Yes" response to line 12c.

h. Description of process for determining **compensation**, in response to lines 15a and 15b.

i. If applicable, in response to line 18, an explanation as to why the organization checked the *Other* box or didn't make any of Forms 1023, 1024, 1024-A, 990, or 990-T publicly available.

j. Description of public disclosure of documents, in response to line 19.

4. Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*.

a. Explain if reporting of compensation paid by a related organization is provided only for the period during which the related organization was related, not the entire calendar year ending with or within the tax year, and state the period during which the related organization was related.

b. Description of reasonable efforts undertaken to obtain information on compensation paid by related organizations, if the organization is unable to obtain such information to report in column (E).

5. Explanation for Part IX, *Statement of Functional Expenses*, line 11g (other fees for services), including the type and amount of each expense included on line 11g, if the amount in Part IX, line 11g, exceeds 10% of the amount in Part IX, line 25 (total functional expenses).

6. Explanation for Part IX, *Statement of Functional Expenses*, line 24e (all other expenses), including the type and amount of each expense included on line 24e, if the amount on line 24e exceeds 10% of the amount in Part IX, line 25 (total functional expenses).

7. Part XI, *Reconciliation of Net Assets.* Explain any other changes in net assets or fund balances reported on line 9.

8. Part XII, *Financial Statements and Reporting*.

a. Change in accounting method or description of other accounting method used on line 1.

b. Change in committee oversight review from prior year on line 2c.

c. "No" response to line 3b.

Form 990-EZ, Parts I, II, III, and V. Use Schedule O (Form 990) to provide any narrative information required for the following questions.

1. Part I, *Revenue, Expenses, and Changes in Net Assets or Fund Balances*.

a. Description of other revenue, in response to line 8.

b. List of grants and similar amounts paid, in response to line 10.

c. Description of other expenses, in response to line 16.

d. Explanation of other changes in net assets or fund balances, in response to line 20.

2. Part II, *Balance Sheets*.

a. Description of other assets, in response to line 24.

b. Description of total liabilities, in response to line 26.

3. Description of other program services, in response to Part III, *Statement of Program Service Accomplishments*, line 31.

4. Part V, *Other Information*.

a. "Yes" response to line 33.

b. "Yes" response to line 34.

c. Explanation of why organization didn't report unrelated business gross income of $1,000 or more to the IRS on Form 990-T, in response to line 35b.

d. "No" response to line 44d.

Other. Use Schedule O (Form 990) to provide narrative explanations and descriptions in response to other specific questions. The narrative provided should refer and relate to a particular line and response on the form.

***Don't** include on Schedule O (Form 990) any social security number(s), because this schedule will be made available for public inspection.*

No substantive changes were made to Schedule R in 2022.

2022

Department of the Treasury
Internal Revenue Service

Instructions for Schedule R (Form 990)

Related Organizations and Unrelated Partnerships

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form 990 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form990*.

General Instructions

Note. Terms in **bold** are defined in the *Glossary* of the Instructions for Form 990, Return of Organization Exempt From Income Tax.

Purpose of Schedule

Schedule R (Form 990) is used by an organization that files Form 990 to provide information on **related organizations**, on certain transactions with related organizations, and on certain unrelated partnerships through which the organization conducts significant activities.

Who Must File

The chart below sets forth which organizations must complete all or a part of Schedule R and attach Schedule R to Form 990. If an organization isn't required to file Form 990 but chooses to do so, it must file a complete return and provide all of the information requested, including the required schedules.

Overview

Part I of Schedule R (Form 990) requires identifying information on any organizations that are treated for federal tax purposes as **disregarded entities** of the filing organization. Part II requires identifying information on related tax-exempt organizations. Part III requires identifying information on any **related organizations** that are treated for federal tax purposes as partnerships. Part IV requires identifying information on any related organizations that are treated for federal tax purposes as C or S corporations or trusts. Part V requires information on transactions between the organization and related organizations (excluding disregarded entities). Part VI requires information on an **unrelated organization** treated as a partnership through which the organization conducted more than 5% of its activities (as described in Part VI).

Part VII of Schedule R (Form 990) may be used to provide additional information in response to questions in Schedule R.

Relationships

An organization, including a nonprofit organization, a stock corporation, a partnership or limited liability company (LLC), a trust, and a **governmental unit** or other government entity, is a **related organization** to the filing organization if it stands, at any time during the **tax year**, in one or more of the following relationships to the filing organization.

- Parent—An organization that controls (see definitions of **control** under *Definition of Control*) the filing organization.
- Subsidiary—An organization controlled by the filing organization.
- Brother/Sister—An organization controlled by the same person or persons that control the filing organization.
- Supporting/Supported—An organization that is (or claims to be) at any time during the organization's tax year (i) a **supporting organization** of the filing organization within the meaning of section 509(a)(3), if the filing organization is a **supported organization** within the meaning of section 509(f)(3); or (ii) a supported organization, if the filing organization is a supporting organization.
- Sponsoring Organization of a VEBA—An organization that establishes or maintains a section 501(c)(9) voluntary employees' beneficiary association (VEBA) during the tax year. A sponsoring organization of a VEBA also includes an employee organization, association, committee, joint board of **trustees**, or other similar group of representatives of the parties which establish or maintain a VEBA.
- Contributing Employer of a VEBA—An employer that makes a contribution or contributions to the VEBA during the tax year.

Although a VEBA must report sponsoring organizations and contributing employers as related organizations, sponsoring organizations and contributing employers shouldn't report a VEBA as a related organization, unless the VEBA is related to the sponsoring organization or contributing employer in some other capacity listed above.

VEBA contributing employers and sponsoring organizations. If the filing organization is a section 501(c)(9) VEBA, it must list its sponsoring organizations and contributing employers on Schedule R (Form 990). The filing organization must report all information on its sponsoring organizations in Parts II through IV, as applicable. However, the filing organization is required to list only the name of its contributing employers in Parts II through IV, and isn't required to report any additional information in those parts.

Type of filer	IF you answer "Yes" to . . .	THEN you must complete . . .
All organizations	Form 990, Part IV, line 33 (regarding disregarded entities)	Schedule R, Part I.
All organizations	Form 990, Part IV, line 34 (regarding related organizations)	Schedule R, Parts II, III, IV, and V, line 1, as applicable.
All organizations	Form 990, Part IV, line 35b (regarding payments from or transactions with controlled entities)	Schedule R, Part V, line 2.
Section 501(c)(3) organization	Form 990, Part IV, line 36 (regarding transfers to exempt noncharitable related organizations)	Schedule R, Part V, line 2.
All organizations	Form 990, Part IV, line 37 (regarding conduct of activity through unrelated partnership)	Schedule R, Part VI.

The filing organization must also report its related transactions with sponsoring organizations and contributing employers in Part V, line 1, and, if applicable, line 2.

Disregarded entity exception. Disregarded entities are treated as related organizations for purposes of reporting on Schedule R (Form 990), Part I, but not for purposes of reporting transactions with related organizations in Part V, or otherwise on Form 990. A disregarded entity of an organization related to the filing organization is generally treated as part of the related organization and not as a separate entity. See *Appendix F* in the Instructions for Form 990.

Bank trustee exception. If the filing organization is a trust that has a bank or financial institution trustee that is also the trustee of another trust, the filing organization isn't required to report the other trust as a brother/sister related organization on the ground of common control by the bank or financial institution trustee.

Definition of Control

Related organizations. For purposes of determining **related organizations**:

Control of a nonprofit organization (or other organization without owners or persons having beneficial interests, whether the organization is taxable or tax exempt). One or more persons (whether individuals or organizations) **control** a nonprofit organization if they have the power to remove and replace (or to appoint, elect, or approve or veto the appointment or election of, if such power includes a continuing power to appoint, elect, or approve or veto the appointment or election of, periodically or in the event of vacancies) a majority of the nonprofit organization's **directors** or trustees, or a majority of the members who have the power to elect a majority of the nonprofit organization's directors or trustees. Such power can be exercised directly by a (parent) organization through one or more of the (parent) organization's **officers**, directors, trustees, or agents, acting in their capacity as officers, directors, trustees, or agents of the (parent) organization. Also, a (parent) organization controls a (subsidiary) nonprofit organization if a majority of the subsidiary's directors or trustees are trustees, directors, officers, **employees**, or agents of the parent.

Control of a stock corporation. One or more persons (whether individuals or organizations) control a stock corporation if they own more than 50% of the stock (by voting power or value) of the corporation.

Control of a partnership or LLC. One or more persons control a partnership if they own more than 50% of the profits interests or capital interests in the partnership (including an LLC treated as a partnership or **disregarded entity** for federal tax purposes, regardless of the designation under state law of the ownership interests as stock, membership interests, or otherwise). A person also controls a partnership if the person is a managing partner or managing member of a partnership or LLC which has three or fewer managing partners or managing members (regardless of which partner or member has the most actual control), or if the person is a general partner in a limited partnership which has three or fewer general partners (regardless of which partner has the most actual control). For this purpose, a "managing partner" is a partner designated as such under the partnership agreement, or regularly engaged in the management of the partnership.

Control of a trust with beneficial interests. One or more persons control a trust if they own more than 50% of the beneficial interests in the trust. A person's beneficial interest in a trust will be determined in proportion to that person's actuarial interest in the trust as of the end of the tax year.

In some situations, a named beneficiary may have no determinable interest in the trust. For instance, if Trust A allows the trustee to distribute income and principal in the trustee's sole discretion for 10 years to the then-living issue of X, with the remainder (if any) to Charity B, then Charity B has no interest in the trust that can be determined before the 10-year period is ended, and therefore doesn't control the trust for purposes of Form 990 and Schedule R.

See Regulations sections 301.7701-2, 3, and 4 for more information on classification of corporations, partnerships, disregarded entities, and trusts.

Examples of control by multiple persons.

Example 1. Organizations A and B each appoint one-third of the board members of Organizations C and D, and aren't otherwise related to Organizations C and D. Although neither Organization A nor Organization B is a parent of Organization C or Organization D, Organizations C and D are controlled by the same persons, and therefore are brother/sister related organizations with respect to each other.

Example 2. There are 1,000 individuals who are members of both Organizations E and F. The members elect the board members of both Organizations E and F. Organizations E and F are brother/sister related organizations with respect to each other.

Indirect control. Control can be indirect. For example, if the filing organization controls Entity A, which in turn controls (under the definition of control in these instructions) Entity B, the filing organization will be treated as controlling Entity B. To determine indirect control through constructive ownership of a corporation, rules under section 318 apply. Similar principles apply for purposes of determining constructive ownership of another entity (a partnership or trust). If an entity (X) controls an entity treated as a partnership by being one of three or fewer partners or members, then an organization that controls X also controls the partnership.

Example 1. B, an exempt organization, wholly owns (by voting power) C, a taxable corporation. C holds a 51% profits interest in D, a partnership. Under the principles of section 318, B is deemed to own 51% of D (100% of C's 51% interest in D). Thus, B controls both C and D, which are therefore both related organizations with respect to B.

Example 2. X, an exempt organization, owns 80% (by value) of Y, a taxable corporation. Y holds a 60% profits interest as a limited partner of Z, a limited partnership. Under the principles of section 318, X is deemed to own 48% of Z (80% of Y's 60% interest in Z). Thus, X controls Y. X doesn't control Z through X's ownership in Y. Y is a related organization with respect to X, and (absent other facts) Z isn't.

Example 3. Same facts as in *Example 2*, except that Y is also one of three general partners of Z. Because Y controls Z through means other than ownership percentage, and X controls Y, in these circumstances, Z is a related organization with respect to X. The other general partners of Z (if organizations) aren't related organizations with respect to X, absent other facts.

Example 4. Organizations A, B, C, and D are nonprofit organizations. Organization A appoints the board of Organization B, which appoints the board of Organization C. A majority of the board members of Organization D are also board members of Organization A. Under these circumstances, Organizations B and D are directly controlled by Organization A, and Organization C is indirectly controlled by Organization A. Therefore, Organizations B, C, and D are subsidiaries of Organization A; Organization C is also a subsidiary of Organization B; and Organizations B and C have a brother/sister relationship with Organization D.

Example 5. T, an exempt organization described in section 501(c)(3), owns 40% of the stock of U, a taxable C corporation. T and U each own 40% of the stock of V, another taxable C corporation. Under these facts, T and U aren't related organizations as parent/subsidiary because T doesn't own more than 50% of U's stock. Under section 318(a)(2)(C), none of U's holdings are attributed to T by virtue of T's ownership of U stock, because T owns less than 50% of U stock. Thus, T and V aren't related organizations as parent/subsidiary.

Example 6. Same facts as in *Example 5*, except that U is an S corporation. Under section 318(a)(5)(E), T constructively owns 16% of V through U (40% of U's 40% ownership of V), giving T a total ownership interest of 56% in V, and making T and V related organizations as parent/subsidiary.

Example 7. Same facts as in *Example 5*, except that T owns 50% of U's stock. T and U aren't related organizations as parent/subsidiary because T doesn't own more than 50% of U's stock. Under section 318(a)(2)(C), U's holdings are attributed to T by virtue of T's 50% ownership of U's stock. Thus, T constructively owns 20% of V through U (50% of U's 40% ownership of V), giving T a total ownership interest of 60% in V, and making T and V related organizations as parent/subsidiary.

Example 8. F is a 501(c)(3) public charity that appoints the governing body of G, another 501(c)(3) public charity. G is supported by H, a Type III supporting organization within the meaning of section 509(f)(1), but G doesn't control H. G and H are thus related organizations because of the supporting/supported relationship. Absent other facts, F and H aren't related organizations.

Group exemption. Central organizations and **subordinate organizations** of a **group exemption** aren't required to be listed as **related organizations** in Schedule R (Form 990), Part II. All other related organizations of the central organization or of a subordinate organization are required to be listed in Schedule R (Form 990). The following rules apply.

- An organization that is a central or subordinate organization in a group exemption (whether filing an individual return or a **group return**) isn't required to list any of the subordinate organizations of the group in Part II.
- In the case of a group return, the central organization must attach a list of the subordinate organizations included in the group return in response to Form 990, page 1, item H(b). The central organization must list in Schedule R (Form 990), Parts II through IV the related organizations of each subordinate organization other than (1) related organizations that are included within the group exemption, or (2) related organizations that the central organization knows to be included in another group exemption. If an organization isn't listed because it is known to be included in another group exemption, the central organization must explain in Part VII the relationship between its own group and members and the related organization known to be included in another group exemption (but you needn't include the names of such related organizations).
- An organization that isn't included in a group exemption isn't required to list in Part II a related organization that is included in a group exemption. Similarly, an organization that is included in a group exemption isn't required to list in Part II a related organization that is included in another group exemption. In either case, the organization must explain in Part VII the relationship between it and the related organization included in another group exemption (but you needn't include the names of such related organizations).

Even if a related organization isn't required to be listed in Part II of Schedule R (Form 990), the organization must report its transactions with the related organization in Part V, as required by the Part V instructions (for example, checking "Yes" to Part V, line 1b, if the organization made a grant to a related organization included in a group exemption, and reporting on Part V, line 2, the organization's receipt of interest or annuities from a **controlled entity** included in a group exemption), including listing the name of the related organization in Part V, line 2, column (a), for transactions that must be reported in line 2.

Specific Instructions

Part I. Identification of Disregarded Entities

Enter the details of each **disregarded entity** on separate lines of Part I.

Column (a). Name, address, and EIN. Enter the full legal name and mailing address of the **disregarded entity**. Also enter the **employer identification number (EIN)** of the disregarded entity, if it has one.

TIP *A disregarded entity generally must use the EIN of its sole member. An exception applies to employment taxes—for wages paid to* ***employees*** *of a disregarded entity, the disregarded entity must file separate employment tax returns and use its own EIN on such returns. See Regulations sections 301.6109-1(h) and 301.7701-2(c)(2)(iv).*

Column (b). Primary activity. Briefly describe the primary activity of the **disregarded entity**.

Column (c). Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the **disregarded entity** is organized (the state or foreign country whose law governs the disregarded entity's internal affairs).

Column (d). Total income. Enter the amount of the filing organization's total revenue reported in Form 990, Part VIII, line 12, column (A), attributable to the **disregarded entity**.

Column (e). End-of-year assets. Enter the amount of the organization's **total assets** reported in Form 990, Part X, line 16, column (B), attributable to the **disregarded entity**.

Column (f). Direct controlling entity. Enter the name of the entity that directly controls the **disregarded entity**. For instance, if B is a disregarded entity of the filing organization, and if C is a disregarded entity of B, report B as the direct controlling entity of C. If the filing organization directly controls, enter its name.

Part II. Identification of Related Tax-Exempt Organizations

For purposes of Schedule R (Form 990), treat **governmental units** and instrumentalities and **foreign governments** as tax-exempt organizations.

Enter the details of each **related organization** on separate lines of Part II.

Column (a). Name, address, and EIN. Enter the related organization's full legal name, mailing address, and **EIN**.

Column (b). Primary activity. Briefly describe the primary activity of the **related organization**.

Column (c). Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the **related organization** is organized. For a corporation, enter the state of incorporation (or the country of incorporation for a foreign corporation formed outside the United States). For a trust or other entity, enter the state whose law governs the organization's internal affairs (or the foreign country whose law governs for a **foreign organization** other than a corporation).

Column (d). Exempt Code section. Enter the section that describes the related organization (for example, section 501(c)(3) for a **public charity**, section

501(c)(6) for a business league, or section 527 for a separate segregated fund). For purposes of Schedule R, an organization that claims exemption is treated as exempt. Also for purposes of Schedule R, treat as a section 501(c)(3) organization a related **foreign organization** recognized as a charity by the foreign country, or for which the filing organization has made a reasonable judgment (or has an opinion of U.S. counsel) that the foreign organization is described in section 501(c)(3). The filing organization isn't required to make or obtain such a determination for purposes of Schedule R. For **governmental units**, instrumentalities, and **foreign governments** that don't have a section 501(c) determination letter, leave blank.

Column (e). Public charity status. For a related section 501(c)(3) organization, report its **public charity** status, using the appropriate line number (lines 1 through 12d) corresponding to the public charity status checked on Schedule A (Form 990), Public Charity Status and Public Support, Part I. If the related organization is a **private foundation**, use the designation "PF." If the related organization is a section 509(a)(3) **supporting organization**, also indicate its type: I, II, III-FI, or III-O (for Type I, Type II, Type III functionally integrated, or Type III other, respectively).

For purposes of Schedule R, treat as a public charity a related **foreign organization** that hasn't been recognized as a section 501(c)(3) public charity by the IRS but for which the filing organization has made a good faith determination, based on an affidavit from the foreign organization or the opinion of counsel, that the foreign organization is the equivalent of a public charity. The filing organization isn't required to make or obtain such a determination for purposes of Schedule R; if it hasn't, leave column (e) blank.

Column (f). Direct controlling entity. Enter the name of the entity (if any) that directly controls the related organization; otherwise, enter "N/A." If the filing organization directly controls, enter its name.

Column (g). Section 512(b)(13) controlled entity. Check "Yes" if the related organization is a **controlled entity** of the filing organization under section 512(b)(13). If not, check "No."

Part III. Identification of Related Organizations Taxable as a Partnership

In this part, identify any **related organization** treated as a partnership for federal tax purposes. If the partnership is related to the filing organization by reason of being its parent or brother/sister and the filing organization isn't a partner or member in the partnership, then complete only columns (a), (b), and (c), and enter "N/A" in columns (d), (e), (f), (g), (i), and (k).

Enter the details of each related organization on separate lines of Part III.

Some of the information requested in this part is derived from Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., issued to the organization. If the Schedule K-1 (Form 1065) isn't available, provide a reasonable estimate of the required information.

Column (a). Name, address, and EIN. Enter the related partnership's full legal name, mailing address, and **EIN**.

Column (b). Primary activity. Briefly describe the primary business activity conducted, or product or service provided, by the related partnership (for example, investment in other entities, low-income housing, etc.).

Column (c). Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the related partnership is organized (the state or foreign country whose law governs the related partnership's internal affairs).

Column (d). Direct controlling entity. Enter the name of the entity (if any) that directly controls the related partnership; otherwise, enter "N/A." If the filing organization directly controls, enter its name.

Column (e). Predominant income. Classify the predominant type of partnership income as:

- Related;
- Unrelated; or
- Excluded from tax under section 512, 513, or 514.

In other words, enter which of the three types listed above is more prevalent than the others.

For classification purposes, use the definitions set forth in the instructions to the Statement of Revenue in Form 990, Part VIII, columns (B), (C), and (D).

Column (f). Share of total income. Enter the dollar amount of the filing organization's distributive share of the related partnership's total income, in accordance with the organization's profits interest as specified by the partnership or LLC agreement, for the related partnership's **tax year** ending with or within the filing organization's tax year. Use the total amount reported by the related partnership on Schedule K-1 (Form 1065) for the partnership's tax year ending with or within the filing organization's tax year (total of Schedule K-1, Part III, lines 1 through 11 and 18, tax-exempt income).

Column (g). Share of end-of-year assets. Enter the dollar amount of the filing organization's distributive share of the related partnership's end-of-year **total assets**, in accordance with the organization's capital interest as specified by the partnership or LLC agreement, for the related partnership's **tax year** ending with or within the filing organization's tax year. Use Schedule K-1 (Form 1065) for the partnership's year ending with or within the organization's tax year to determine this amount by adding the organization's ending capital account to the organization's share of the partnership's liabilities at year end reported on the Schedule K-1.

Column (h). Disproportionate allocations. Check "Yes" if the interest of the filing organization as a partner of the partnership (or as a member of the LLC) in any item of income, gain, loss, deduction, or credit, or any right to distributions was disproportionate to the filing organization's investment in such partnership or LLC at any time during the filing organization's **tax year**. Otherwise, check "No."

Column (i). Code V—UBI amount in box 20 of Schedule K-1 (Form 1065). Enter the dollar amount, if any, listed as the Code V amount (**unrelated business taxable income**) in box 20 of Schedule K-1 (Form 1065) received from the related partnership for the partnership's **tax year** ending with or within the filing organization's tax year. If no Code V amount is listed in box 20, enter "N/A."

TIP *If the organization has reason to believe that the stated amount in box 20 is incorrect, it should consult with the partnership. The stated amount in box 20 isn't controlling with respect to the organization's unrelated business income tax liability.*

Column (j). General or managing partner. Check "Yes" if the filing organization was at any time during its **tax year** a general partner of a related limited partnership, or a managing partner or managing member of a related general partnership, LLC, or other entity treated as a partnership. Otherwise, check "No."

Column (k). Percentage ownership. Enter the filing organization's percentage interest in the profits or in the capital of the related partnership, whichever is greater.

Part IV. Identification of Related Organizations Taxable as a Corporation or Trust

In this part, identify any **related organization** treated as a C or S corporation or trust for federal tax

purposes (such as a charitable remainder trust), other than a related organization reported as a tax-exempt organization in Part II of Schedule R (Form 990). If the corporation or trust is related to the filing organization as its parent or as a brother/sister related organization, and the filing organization doesn't have an ownership interest in the corporation or trust, then complete only columns (a), (b), (c), and (e), and enter "N/A" in columns (d), (f), (g), and (h). Don't report trusts described within section 401(a).

Some of the information requested in this part is derived from Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc., or Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc., issued to the organization. If the Schedule K-1 isn't available, provide a reasonable estimate of the required information.

Enter the details of each related organization on separate lines of Part IV.

Column (a). Name, address, and EIN. Enter the related organization's full legal name, mailing address, and **EIN**.

Column (b). Primary activity. Briefly describe the primary business activity conducted, or product or service provided, by the **related organization** (for example, holding company, **management company**).

Column (c). Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the **related organization** is organized. For a corporation, enter the state of incorporation (or the country of incorporation for a foreign corporation formed outside the United States). For a trust or other entity, enter the state whose law governs the organization's internal affairs (or the foreign country whose law governs for a **foreign organization** other than a corporation).

Column (d). Direct controlling entity. Enter the name of the entity (if any) that directly controls the related organization; otherwise, enter "N/A." If the filing organization directly controls, enter its name.

Column (e). Type of entity. Use one of the following codes to indicate the tax classification of the related organization: C (corporation or association taxable under subchapter C), S (corporation or association taxable under subchapter S), or T (trust, including a split-interest trust).

Column (f). Share of total income. For a **related organization** that is a C corporation, enter the dollar amount of the organization's share of the C corporation's total income. To calculate this share, multiply the total income of the C corporation (as reported on its Form 1120, U.S. Corporation Income Tax Return) by the following fraction: the value of the filing organization's shares of all classes of stock in the C corporation, divided by the value of all outstanding shares of all classes of stock in the C corporation. The total income is for the related organization's **tax year** ending with or within the filing organization's tax year.

For a related organization that is an S corporation, enter the filing organization's allocable share of the S corporation's total income. Use the amount on Schedule K-1 (Form 1120-S) for the S corporation's tax year ending with or within the filing organization's tax year (Part III, lines 1 through 10, of Schedule K-1 (Form 1120-S)).

For a related organization that is a trust, enter the total income and gains reported on Part III, lines 1 through 8, of Schedule K-1 (Form 1041) issued to the filing organization for the trust's tax year ending with or within the filing organization's tax year.

TIP *A section 501(c)(3) organization that is an S corporation shareholder must treat all allocations of income from the S corporation as **unrelated business income**, including gain on the disposition of stock.*

Column (g). Share of end-of-year assets. Enter the dollar amount of the filing organization's allocable share of the **related organization's total assets** as of the end of the related organization's **tax year** ending with or within the filing organization's tax year. For related C and S corporations, this amount is determined by multiplying the corporation's end-of-year total assets by the fraction described in column (f). For related trusts, this amount corresponds to the filing organization's percentage ownership in the trust.

Column (h). Percentage ownership. For a **related organization** taxable as a corporation, enter the filing organization's percentage of stock ownership in the corporation (total combined voting power or total value of all outstanding shares, whichever is greater). For a related S corporation, use the percentage reported on Schedule K-1 (Form 1120-S) for the year ending with or within the filing organization's **tax year**. For a related organization taxable as a trust, enter the filing organization's percentage of beneficial interest. In each case, enter the percentage interest as of the end of the related organization's tax year ending with or within the filing organization's tax year.

Column (i). Section 512(b)(13) controlled entity. Check "Yes" if the **related organization** is a **controlled entity** of the filing organization under section 512(b)(13). If not, check "No."

Split-interest trusts. If the related organization is a split-interest trust described in section 4947(a)(2), the organization may enter in column (a) the term "Charitable remainder trust," "Charitable lead trust," or "Pooled income fund," as appropriate, instead of the trust's name, EIN, or address. If the organization was related to more than one of a certain type of related split-interest trust during the tax year, it should enter the number of that type of trust in parentheses after the name. For instance, if the organization had two related charitable remainder trusts and three related charitable lead trusts, it should enter "Charitable remainder trusts (2)" on one line of column (a) and "Charitable lead trusts (3)" on another line in column (a). The organization may leave columns (e), (f), (g), and (h) blank for these lines. Use Part VII if the organization needs space to provide additional information for columns (b), (c), (d), or (i).

Part V. Transactions With Related Organizations

Line 1. Check "Yes" in the appropriate boxes of line 1 if the filing organization engaged in any of the transactions listed in Part V with any **related organizations** (other than disregarded entities listed in Part I). A single transaction may be described by and reported in more than one line. A "transfer," for purposes of Part V, lines 1r and 1s, includes any conveyance of funds or property not described in lines 1a through 1q, whether or not for consideration, such as a merger with a related organization.

Line 2. The filing organization must report on this line any of the following transactions that it engaged in with a **controlled entity** of the filing organization, as defined in section 512(b)(13), during the **tax year**.

- All transactions described in line 1a, which includes all receipts or accruals of interest, annuities, royalties, or rent from a controlled entity under section 512(b)(13), regardless of amount.
- Any other type of transaction, described in lines 1b through 1s, with controlled entities, if the amounts involved during the tax year between the filing organization and a particular controlled entity exceed $50,000 for that type of transaction.

Section 501(c)(3) organizations must also report on line 2 transactions described in Part V, lines 1b through 1s, that they engaged in with related tax-exempt organizations not described in section 501(c)(3) (including section 527 political organizations), if the amounts involved during the tax year between the

filing organization and a particular related tax-exempt organization exceed $50,000.

Enter the details of each related organization and each transaction type on a separate line of the table. Transactions of a specified type, described in lines 1b through 1s, with a particular organization don't need to be reported if the total amount of transactions of such type during the tax year didn't exceed $50,000.

Column (a). Name of related organization. Enter the full legal name of the **related organization**.

Column (b). Transaction type (a–s). Enter the transaction type (lines 1a through 1s). Aggregate all transactions of the same type with the same related organization.

Column (c). Amount involved. The amount involved in a transaction is the **fair market value** of the services, cash, and other assets provided by the filing organization during its **tax year**, or the fair market value received by the filing organization, whichever is higher, regardless of whether the transaction was entered into by the parties in a prior year. Any reasonable method for determining such amount is acceptable.

Column (d). Method of determining amount involved. Describe the method used to determine the value of the services, cash, and other assets reported in column (c).

Split-interest trusts. If the organization engaged in a type of transaction reportable in Part V, line 2, with one or more split-interest trusts described in section 4947(a)(2), the organization may enter in column (a) the term "Charitable remainder trust," "Charitable lead trust," or "Pooled income fund," as appropriate, instead of the trust's name. For instance, if the organization carried a $100,000 liability for a loan it received from a related charitable lead trust, it should enter "Charitable lead trust" in column (a), transaction type "e" in column (b), and "$100,000" in column (c). Multiple transactions of the same type with the same type of split-interest trust may be aggregated on the same line, with the number of each type of trust listed in parentheses. For instance, if the organization received $60,000 from one related charitable remainder trust as payment for investment services and $70,000 from another related charitable remainder trust as payment for investment services during the tax year, it may enter "Charitable remainder trusts (2)" in column (a), transaction type "l" in column (b), and "$130,000" in column (c).

Part VI. Unrelated Organizations Taxable as a Partnership

In this part, provide information on any **unrelated organization** (an organization that isn't a related organization with respect to the filing organization) that meets all of the following conditions.

1. The unrelated organization is treated as a partnership for federal tax purposes (S corporations are excluded).

2. The filing organization was a partner or member of the unrelated partnership at any time during the filing organization's **tax year**.

3. The filing organization conducted more than 5% of its activities, based on the greater of its **total assets** at the end of its tax year or its total revenue for its tax year, through the unrelated partnership.

In determining the percentage of the filing organization's activities as measured by its total assets, use the amount reported on Form 990, Part X, line 16, column (B), as the denominator, and the filing organization's ending capital account balance for the partnership tax year ending with or within the filing organization's tax year as the numerator (the amount reported on Schedule K-1 (Form 1065) can be used). In determining the percentage of the filing organization's activities as measured by its total revenue, use the amount reported on Form 990, Part VIII, line 12, as the denominator, and the filing organization's distributive share of the partnership's gross revenue for the partnership tax year ending with or within the filing organization's tax year as the numerator.

Example. X, a section 501(c)(3) organization, is a partner of Y, an unrelated partnership, which conducts an activity that constitutes an **unrelated trade or business** with respect to X. X's distributive share of Y's total income is $60,000 for Y's tax year ending with or within X's tax year. X has an ending capital account balance in Y of $120,000 as reported on Schedule K-1 (Form 1065). X's total revenue and total assets for its tax year are $1,000,000 and $1,200,000, respectively. Because X's total assets exceed X's total revenue for its tax year, X must consider total assets in determining whether X conducted more than 5% of its activities through Y for X's tax year. X conducted 10% of its activities through Y, as measured by X's total assets ($120,000/$1,200,000), and thus must identify Y in Schedule R (Form 990), Part VI, and provide the required information. If, instead, X's total revenue for its tax year was $1,300,000, then total revenue would be considered rather than total assets; X's activities conducted through Y, as measured by X's total revenue ($60,000/$1,300,000), wouldn't be greater than 5% of X's total activities, and therefore X wouldn't be required to identify Y in Schedule R (Form 990), Part VI.

Disregard the unrelated partnerships that meet both of the following conditions.

1. 95% or more of the filing organization's total revenue from the partnership for the partnership's tax year ending with or within the organization's tax year is described in sections 512(b)(1)–(3) and (5), such as interest, dividends, royalties, rents, and capital gains (including unrelated debt-financed income).

2. The primary purpose of the filing organization's investment in the partnership is the production of income or appreciation of property and not the conduct of a section 501(c)(3) charitable activity such as program-related investing.

Enter the details of each organization on separate lines of Part VI.

Some of the information requested in this part is derived from Schedule K-1 (Form 1065) issued to the organization. If the Schedule K-1 isn't available, provide a reasonable estimate of the required information.

Column (a). Name, address, and EIN. Enter the unrelated partnership's full legal name, mailing address, and **EIN**.

Column (b). Primary activity. Briefly describe the primary business activity conducted, or product or service provided, by the unrelated partnership.

Column (c). Legal domicile. List the U.S. state (or **U.S. possession**) or foreign country in which the unrelated partnership is organized (the state or foreign country whose law governs the unrelated partnership's internal affairs).

Column (d). Predominant income. Classify the predominant type of income as:

- Related;
- Unrelated; or
- Excluded from tax under section 512, 513, or 514.

In other words, enter one of the three types of income listed above that is more prevalent than the others. For classification purposes, use the definitions set forth in the instructions to the Statement of Revenue in Form 990, Part VIII, columns (B), (C), and (D).

Column (e). Section 501(c)(3) partners. Check "Yes" if all the partners of the unrelated partnership (or members of the LLC) are section 501(c)(3) organizations or **governmental units** (or wholly owned subsidiaries of either). Otherwise, check "No."

Column (f). Share of total income. Enter the dollar amount of the filing

organization's distributive share of the related partnership's total income, in accordance with the organization's profits interest as specified by the partnership or LLC agreement, for the related partnership's **tax year** ending with or within the filing organization's tax year. Use the total amount reported by the related partnership on Schedule K-1 (Form 1065) for the partnership's tax year ending with or within the filing organization's tax year (total of Schedule K-1, Part III, lines 1 through 11 and line 18, tax-exempt income).

Column (g). Share of end-of-year assets. Enter the dollar amount of the filing organization's distributive share of the unrelated partnership's **total assets**, in accordance with the filing organization's capital interest as specified by the partnership or LLC agreement, as of the end of the unrelated partnership's **tax year** ending with or within the filing organization's tax year. Use the ending capital account reported on Schedule K-1 (Form 1065) for the year ending with or within the filing organization's tax year.

Column (h). Disproportionate allocations. Check "Yes" if the interest of the filing organization as a partner of the partnership (or as a member of the LLC) in any item of income, gain, loss, deduction, or credit, or any right to distributions was disproportionate to the organization's investment in such partnership or LLC at any time during the filing organization's **tax year**. Otherwise, check "No."

Column (i). Code V—UBI amount in box 20 of Schedule K-1 (Form 1065). Enter the dollar amount, if any, listed as the Code V amount (**unrelated business taxable income**) in box 20 of Schedule K-1 (Form 1065) received from the unrelated partnership for the partnership's **tax year** ending with or within the filing organization's tax year. If no Code V amount is listed in box 20, enter "N/A."

If the organization has reason to believe that the stated amount in box 20 is incorrect, it should consult with the partnership. The stated amount in box 20 isn't controlling with respect to the organization's unrelated business income tax liability.

Column (j). General or managing partner. Check "Yes" if the filing organization was at any time during its **tax year** a general partner of an unrelated limited partnership, or a managing partner or managing member of an unrelated general partnership, LLC, or other entity treated as a partnership. Otherwise, check "No."

Column (k). Percentage ownership. Enter the filing organization's percentage interest in the profits or in the capital of the related partnership, whichever is greater.

Part VII. Supplemental Information

Use Part VII if the organization needs space to provide additional information in response to questions in Schedule R (Form 990). In Part VII, identify the specific part and line number that each response supports in the order in which those parts and lines appear on Schedule R (Form 990).